

For Information

Legislative Council Panel on Development Progress Report on the HKSAR's Work in Support of Reconstruction in the Sichuan Earthquake Stricken Areas

Introduction

This paper informs Members of the latest progress of the Hong Kong Special Administrative Region (HKSAR)'s work in support of reconstruction in the Sichuan earthquake stricken areas.

Progress Report of HKSAR's Work in Support of Reconstruction

2. We undertook to submit regular reports to the Legislative Council (LegCo) on the latest progress of the HKSAR's work in support of reconstruction in the Sichuan earthquake stricken areas. To this end, we submitted six progress reports to the Panel on Development at its meetings on 3 February 2009, 18 June 2009, 24 November 2009, 22 June 2010, 16 December 2010 and 28 June 2011 respectively. We have now prepared the seventh report, which covers the latest progress of the HKSAR's 151 reconstruction projects, 33 Non-Governmental Organisations (NGOs) reconstruction projects and seven reconstruction projects of the Hong Kong Jockey Club (HKJC), for Members' perusal.

Latest Progress of Projects

3. The Finance Committee (FC) of the LegCo approved injection of a total of HK\$9 billion into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas (Trust Fund) in July 2008, February and July 2009 to take forward the HKSAR's first, second and third stages of reconstruction work. Taking into account the HK\$1 billion donation by the HKJC and public donation, the HKSAR

committed a total of HK\$10 billion to support reconstruction in Sichuan. The HKSAR Government is directly involved in 151 reconstruction projects, which scatter across 12 hard-hit cities (prefectures). According to the latest estimation, the total commitment for these projects amounts to RMB¥7.503 billion, or around HK\$8.593 billion¹. These projects cover five categories, including 56 education, 35 medical and health, 35 social welfare services, and two infrastructure projects, as well as 23 projects for reconstruction in the Wolong Nature Reserve (Wolong). As at end of October 2011, 54 projects have been completed, while the remainder will mostly be completed by next year. Being affected by natural disasters such as torrential rains and mudslides, Provincial Road 303, Mian Mao Highway and several Wolong projects which involve complicated and arduous work are estimated to be completed after 2012. Latest progress of the HKSAR Government-led projects is set out in **Parts 1 and 2 of Annex 1** (in Chinese only).

4. The Trust Fund approved a total commitment of HK\$270 million to support 33 NGO projects (see paragraph 18 below). Seven reconstruction projects of the HKJC involve a total commitment of HK\$862 million (see paragraph 19 below). Latest progress of these NGO projects is set out in **Parts 1 and 3 of Annex 1** (in Chinese only).

First Stage Projects

5. The FC approved on 18 July 2008 a sum of HK\$2 billion for injection into the Trust Fund to take forward the first stage of the HKSAR's reconstruction work. On 11 October 2008, the HKSAR and Sichuan signed the "Cooperation Arrangement on the Support of Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas" (the Cooperation Arrangement) to implement the HKSAR's 20 first stage reconstruction projects. They include five education, nine

¹ The paid part was calculated on the basis of the actual exchange rate at the time of remittance. Unless otherwise specified, the above exchange rate is applied across this note to facilitate comparison.

medical and health, four social welfare services, and one infrastructure (Provincial Road 303) projects, as well as one Wolong project.

6. As at end of October this year, 12 of the first stage projects have been completed. Progress of the projects is tabulated below-

	Under Construction	Completed	Total
Education	1	4	5
Medical and Health	4	5	9
Social Welfare Services	2	2	4
Infrastructure	1*	-	1
Wolong	-	1	1
Total	8	12	20
Percentage	40%	60%	

(*Note: As a result of the mudslides in 2010 and 2011, the design proposal of Provincial Road 303 is being revised with a view to increasing the road's resistance to natural disasters. The work of major parts of the road is therefore suspended.)

7. The commitment by the HKSAR for the 20 first stage projects is HK\$1.872 billion (around RMB¥1.645 billion). Through the funding management mechanism set up under the Cooperation Arrangement, the Trust Fund has transferred some HK\$1.715 billion (around RMB¥1.508 billion), or 92% of the first stage commitment, to the Dedicated Account for the HKSAR Reconstruction Projects (Dedicated Account) set up under the Sichuan Hong Kong and Macao Affairs Office (HKMAO).

Second Stage Projects

8. The FC agreed on 20 February 2009 to further inject \$4 billion into the Trust Fund to take forward the HKSAR's second stage reconstruction projects. On 27 March 2009, the HKSAR and Sichuan signed the "Letter of Intent on the HKSAR's Second Stage Work in

Support of Restoration and Reconstruction in the Sichuan Earthquake Stricken Areas” to implement 100 second stage reconstruction projects, including 51 education, 20 medical and health, seven social welfare services and 22 Wolong projects.

9. As at end of October this year, 42 of the second stage projects have been completed. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	22	29	51
Medical and Health	11	9	20
Social Welfare Services	3	4	7
Wolong	22	-	22
Total	58	42	100
Percentage	58%	42%	

10. The HKSAR’s commitment for the 100 second stage projects is about HK\$3.840 billion (around RMB¥3.365 billion). Through the funding management mechanism set up under the Cooperation Arrangement, the Trust Fund has transferred about HK\$2.988 billion (around RMB¥2.622 billion) to the Sichuan Dedicated Account, representing 78% of the second stage commitment.

Third Stage Projects

11. The FC agreed on 3 July 2009 to top up the Trust Fund by HK\$3 billion to implement third stage reconstruction projects, totaling the Trust Fund to HK\$9 billion. On 6 July 2009, the HKSAR and Sichuan signed the “Letter of Intent on the HKSAR’s Third Stage of Work in Support of Restoration and Reconstruction in Sichuan” to implement the third stage reconstruction projects.

12. There are 31 projects in the third stage, including six medical and health, 24 social welfare services (rehabilitation centres for the persons with disabilities) and one infrastructure (Mian Mao Highway) projects. As at end of October this year, all 31 projects have entered construction phase. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Medical and Health	6	-	6
Social Welfare Services	24	-	24
Infrastructure	1*	-	1
Total	31	-	31
Percentage	100%	0%	-

(*Note: As a result of the mudslides in 2010 and 2011, the design proposal of Mian Mao Highway is being revised with a view to increasing the road's resistance to natural disasters. The work of major parts of the road is therefore suspended.)

13. The HKSAR's commitment for the third stage projects is about HK\$2.881 billion (around RMB¥2.493 billion). The Hong Kong side has transferred a total of some HK\$1.312 billion (around RMB¥1.152 billion) to the Dedicated Account, which accounts for about 46% of the third stage commitment.

Summing up the Three Stages of Reconstruction Projects

14. As at end of October this year, 54 of the 151 projects in the three stages have been completed. Overall progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	23	33	56
Medical and Health	21	14	35
Social Welfare Services	29	6	35
Infrastructure	2	-	2
Wolong	22	1	23
Total	97	54	151
Percentage	64.2%	35.8%	

15. More than half of the education projects have now been completed. Most of the schools have come into operation before the school year started in September this year, meeting our objectives of allowing school children in quake-stricken areas to return to schools with a safe environment as soon as possible. On medical and health projects, as operation of medical facilities have to meet more complicated and stringent standards, and some of the medical equipment have to be purchased abroad, a longer construction and commissioning period is normally required for these projects to ensure normal and safe operation of the facilities. As to the social welfare services projects, the 24 rehabilitation centres for the persons with disabilities in the third stage have been progressing well, and most of the centres are estimated to be completed in the first half of next year.

16. With the frequent torrential rains occurred in many parts of Sichuan in July this year which triggered geological disasters such as mudslides and slope failures, and the severe damage to the reconstruction work caused by serious floodings and large-scale mudslides last summer, the two infrastructure projects (Provincial Road 303 and Mian Mao Highway) have been seriously affected. These disasters have not only caused damage to the reconstruction work, but also resulted in silting up of riverbed and changing of landscape. Given that it is hard to make

accurate forecast and assessment of such disasters on the basis of existing knowledge, reconstruction of the two infrastructural facilities have become more difficult. Governments and experts of Hong Kong and Sichuan, after several months of site inspections and discussions, agreed that the design proposals must be revised with a view to increasing the roads' resistance to natural disasters and ensuring their long term safe operation. As planning and implementation of the two projects involve many aspects, support from various relevant Mainland authorities (including those responsible for transport, land and resources, water resources and topography etc.) have to be garnered. The Sichuan side is carrying out an in-depth study of the revised design proposals and will seek approval from relevant authorities. The work of major parts of the roads is currently suspended and is estimated to be resumed and completed in 2012 and 2016 respectively. As for project funding, the Sichuan Traffic Department estimated a funding shortfall of some RMB¥1.843 billion for the two projects. The Sichuan Provincial Government is currently raising project funds by its own means and has no intention at this stage to seek additional funding support from the HKSAR Government.

17. Given that Provincial Road 303 is a lifeline access to the Wolong Nature Reserve, the progress of a series of Wolong reconstruction projects will also be affected. As such, the Sichuan side is adjusting the project schedule accordingly.

Participation of NGOs in the Reconstruction Projects with grant under the Trust Fund

18. In line with the "Government-led, full community involvement" approach and to marshal support from all strata of the society, the Trust Fund started to invite funding application from NGOs in Hong Kong in mid-October 2008 to participate in reconstruction in the quake-stricken areas of Sichuan. The Trust Fund has approved 33 applications in areas of education, medical services, physiological and

psychological rehabilitation, social welfare, training schemes and public facilities etc, comprising both hardware construction and software service provision. The total commitment by the Trust Fund in this regard is about HK\$270 million (see **Part 3 of Annex 1** (in Chinese only) for details). As at end of this October, 18 projects have been completed and another seven service provision projects have come into operation, serving the local community.

Reconstruction Projects by the Hong Kong Jockey Club

19. The HKJC donated a total of HK\$1 billion (around RMB¥862 million) to undertake seven reconstruction projects in the Sichuan earthquake stricken areas (see **Annex 2** (in Chinese only) for details). They cover reconstruction of hospitals and donation of medical and rehabilitation equipment; vocational training programmes in post-quake medical, rehabilitation, and reconstruction planning professionals; educational institutes ranging from secondary school, sports academy, vocational institute, to tertiary institute; as well as a nation-wide research centre on disaster management for long-term planning in prevention and relief of natural disasters and rebuilding the economy. The signed cooperation arrangement for the said projects involve a total commitment of about HK\$862 million (around RMB¥743 million). In order to facilitate works planning, monitoring and equipment procurement, the HKJC reserves some HK\$29 million (around RMB¥25 million) to engage consultants in works, and medical and rehabilitation professionals. As at end of October this year, of the seven reconstruction projects, one has been completed, while another three are estimated to be completed by end of this year. Except for one non-construction project, the remaining two projects are estimated to be completed next year. To ensure effective implementation of the projects, apart from the funding reserved for works and equipment, the HKJC will discuss with Sichuan how the remaining funds, if any, should be used for optimising the reconstruction projects and research on emergency responses to natural disasters.

Continue to Press Ahead Reconstruction Projects

20. With the completion of most of the reconstruction projects within this year and the next, the HKSAR's work in support of reconstruction in the Sichuan earthquake stricken areas are starting to bear fruit. The project and funding management mechanisms put in place by both sides have been operating smoothly. Through the existing coordination mechanism, we will continue to enhance communications and liaison between relevant departments of both places, as well as to ensure the quality of the HKSAR reconstruction projects and the proper, effective and efficient use of support funds.

Project Management

21. According to the Cooperation Arrangement, Sichuan is responsible for the day-to-day management and supervision of the HKSAR reconstruction projects. The technical standards of these projects should comply with relevant laws and regulations in the Mainland. Proper monitoring mechanism should be in place, including appointment of independent supervision engineers, to monitor the implementation of the projects. According to the relevant Mainland laws and regulations, and the individual Project Cooperation Arrangements, the Sichuan construction quality supervision unit should be responsible for project supervision and management. The construction agents, design agents, supervision agents and works agents of the projects should be held accountable for the quality of the projects. The HKSAR also plays a pivotal role in project supervision, including organising regular and spot inspections as and when necessary by various bureaux/departments of the HKSAR, such as on-site inspections to examine progress, quality and funding use of the projects, to ensure that the projects are implemented according to relevant requirements. The HKSAR Government also engages independent professional consultants to carry out on-site technical audits having regard to the progress of projects. The scope of technical audits covers implementation progress,

financial and quality management. The independent professional consultants will submit to the HKSAR Government reports on the observations in the inspections. If problems (including defects in workmanship) are identified, we will refer the problems to the Sichuan side through the liaison and coordination mechanism established between Hong Kong and Sichuan and request the latter to follow up and rectify the problems to satisfaction. Up till now, the above Hong Kong–Sichuan monitoring mechanism, including the independent professional consultants, have not identified any major problems on quality or irregularities. As for defects in workmanship which do not affect the normal and safe usage of facilities, the Sichuan side is actively following up, and most of the defects have been rectified promptly. For details, please refer to **Appendix of Annex 1** (in Chinese only). Generally speaking, guaranteeing quality of projects has always been the top priority of both the Hong Kong and Sichuan sides and this has been achieved through a well-established monitoring mechanism.

Funding Management

22. Apart from the above monitoring mechanism, the HKSAR Government is able to get a good grasp of the progress and latest situation of projects through a funding management mechanism which releases project funds based on actual progress of works. According to the Cooperation Arrangement, a Dedicated Account has to be set up for each reconstruction project under the Sichuan HKMAO to specifically handle HKSAR's reconstruction funds; and funds are to be transferred to the Dedicated Account by the Hong Kong side according to the project milestones specified in the respective Project Cooperation Arrangements. Each project unit needs to submit funding application for approval of the Sichuan HKMAO, having regard to the progress of works. The Hong Kong side, having verified the actual funding needs, will transfer funds from the Trust Fund to the Sichuan Dedicated Account. The Sichuan side may then transfer the funds from the Dedicated Account to the concerned implementation units at different levels in accordance with the

conditions for disbursement of funds as detailed in the Rules of Financial Management. At the Annual Review Meeting, Sichuan and Hong Kong will adjust the work plan and funding requirements after reviewing the progress and latest situation of the projects. The 2011 Annual Review Meeting will be held in early next year. The above mechanism has not only helped the two sides to have a good grasp of the progress of projects, but has also served gate-keeping functions to ensure that the reconstruction fund is properly spent.

23. Regarding the HKSAR Government's monitoring of the use of funds, the Trustee (i.e. Secretary for Home Affairs Incorporated) (SHAI) shall, under the Secretary for Home Affairs Ordinance (Cap 1044), submit a copy of the SHAI's audited statement of accounts, together with the report by the Director of Audit and a report by the corporation on the administration of the Trust Fund during the period covered by the audited statement of accounts to the LegCo not later than three months after the audited statement of accounts and the report thereon are received by the corporation from the Director of Audit. The Trust Fund's audited annual statement of accounts (as at 31 March 2011) had been completed and was submitted to the LegCo by the Trustee on 9 November 2011.

Continue to Enhance Communication and Liaison between the two Governments

24. We will continue to enhance communication and liaison with Sichuan through the established three-tier coordination and liaison mechanism. Apart from the High-level meeting co-chaired by the Chief Secretary for Administration and the Executive Vice-Governor of Sichuan, the mechanism also consists of Coordination Working meetings between the relevant bureaux/departments of both Governments, as well as dedicated project group meetings.

25. As at end of October 2011, under the above coordination and liaison mechanism, the HKSAR and Sichuan Governments have

convened four High-level meetings, eight Coordination Working meetings, 45 dedicated project group meetings and 871 meetings at other working levels.

26. Apart from representatives from relevant bureaux/departments of the HKSAR Government, non-government officials and experts of the relevant platforms also attended the expert group and working-level meetings as necessary. Representatives of Hong Kong have taken part in 295 inspections (excluding those conducted by independent professional consultants engaged by the HKSAR Government), involving a total of some 2 414 man-days. The inspections basically covered all of the HKSAR reconstruction projects.

Overall Distribution of Commitment to the HKSAR's Reconstruction Support Work

27. Taking into account the total commitment of HK\$9 billion approved by the FC, public donation and the accrued interest of some HK\$51 million (as at end of October 2011), the Trust Fund has accumulated about HK\$9.051 billion. As at end of October 2011, the Trust Fund's commitment for the HKSAR's reconstruction projects in the three stages amounts to HK\$8.593 billion, with an estimated available balance of about HK\$54 million. The breakdown of the commitment is as follows -

Areas	Estimated Expenditure		Funds Released	
	(RMB¥ billion)	(HK\$ billion)	Amount (HK\$ billion)	Percentage
First stage projects	1.645	1.872	1.715	92%
Second stage projects	3.365	3.840	2.988	78%
Third stage projects	2.493	2.881	1.312	46%
NGOs projects	--	0.270	0.2	74%
Manpower and operating expenditure (including independent professional consultant fee)	--	0.134	--	--
Contingency	--	0.054	--	--
Total:	--	9.051	--	--

Next Steps

Publicity Activities

28. With the successive completion of the reconstruction projects, the HKSAR Government will roll out a series of publicity activities, including roving exhibitions staged by the Information Services Department starting from this month, and the formal launch of a HKSAR Government website on Sichuan reconstruction, with a view to demonstrating the progress and achievements of the reconstruction support work, enhancing Hong Kong citizens' understanding of the HKSAR's support work and encouraging them to give continuous support to such work.

29. The HKSAR Government will maintain close communication and liaison with the Sichuan Government to press ahead with the

reconstruction projects and to step up monitoring of works and use of funds of the projects. We will submit regular reports to the relevant Panel of the LegCo on the latest progress of the HKSAR's reconstruction support work and upload those reports to the webpage of the Constitutional and Mainland Affairs Bureau for public perusal.

Constitutional and Mainland Affairs Bureau
Development Bureau
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