

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 position 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 eight 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, 28 June 2011, 19 December 2011 and 28 June 2012 respectively. We have now prepared the ninth report, which covers the latest progress of the 151 HKSAR Government-led reconstruction projects, 32 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 three stages of the HKSAR's reconstruction work. Taking into account the HK\$1 billion donation by the HKJC and public donation, the HKSAR committed a total of about HK\$10 billion to support reconstruction in Sichuan. The HKSAR Government is directly involved in

151 reconstruction projects spanning across 12 hard-hit cities (prefectures). 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 of reconstruction in the Wolong Nature Reserve (Wolong). As at end of November 2012, 127 projects have been completed. Except for the two infrastructure projects, namely Provincial Road 303 and Mianmao Highway, and several Wolong projects of which work progress have been affected by natural disasters such as torrential rains and mudslides, it is estimated that all HKSAR Government-led projects can be completed in early next year. 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\$262 million to support 32 NGO projects (see paragraph 18 below). Latest progress of these NGO projects is set out in **Parts 1 and 3 of Annex 1** (in Chinese only). In addition, seven reconstruction projects of the HKJC involve a total commitment of HK\$862 million (see paragraph 19 below).

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 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 November this year, 18 of the 20 first stage projects have been completed. Progress of the projects is tabulated below -

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.

	Under Construction	Completed	Total
Education	-	5	5
Medical and Health	1	8	9
Social Welfare Services	0	4	4
Infrastructure	1	-	1
Wolong	-	1	1
Total	2	18	20
Percentage	10 %	90 %	100%

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\$1.787 billion (around RMB¥1.572 billion), or 95.5 % 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 (SCHKMAO).

Second Stage Projects

8. The FC agreed on 20 February 2009 to further inject HK\$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 November this year, 82 of the 100 second stage projects have been completed. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	2	49	51
Medical and Health	2	18	20
Social Welfare Services	0	7	7
Wolong	14	8	22
Total	18	82	100
Percentage	18 %	82 %	100%

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\$3.566 billion (around RMB¥3.126 billion) to the Sichuan Dedicated Account, representing 92.9% 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 the 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 31 third stage reconstruction projects, including six medical and health, 24 social welfare services (rehabilitation centres for persons with disabilities) and one infrastructure (Mianmao Highway) projects. As at end of November this year, 27 of the 31 third stage projects have been completed. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Medical and Health	2	4	6
Social Welfare Services	1	23	24
Infrastructure	1	-	1
Total	4	27	31
Percentage	13%	87%	100%

12. 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\$1.444 billion (around RMB¥1.267 billion) to the Sichuan Dedicated Account, which accounts for about 50.1% of the third stage commitment.

Summing up the Three Stages of Reconstruction Projects

13. As at end of November this year, 127 of the 151 projects in the three stages have been completed. Overall progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	2	54	56
Medical and Health	5	30	35
Social Welfare Services	1	34	35
Infrastructure	2	-	2
Wolong	14	9	23
Total	24	127	151
Percentage	16%	84%	100%

14. At present, 54 education projects have been completed, allowing school children in quake-stricken areas to return to schools with a safe environment. The remaining 2 projects are estimated to be completed early next year. On medical and health projects, 30 of these projects have now been completed and commenced service while the remaining 5 are estimated to be completed early next year. As to the social welfare services projects, 34 projects have been completed while the remaining project is estimated to be completed by end this year.

15. For the two infrastructure projects (viz. Provincial Road 303 and Mianmao Highway), the construction work has been seriously damaged by the frequent geological disasters such as large-scale mudslides and landslide caused by torrential rains in last two years in Sichuan. Governments and experts of Hong Kong and Sichuan, after several months of studies and discussions, revised the design proposals with a view to increasing the roads' resistance to natural disasters and ensuring their long term safe operation. Construction works of the two projects have resumed already. The construction agent of Provincial Road 303 has started working at the site while tender is being invited for construction work of Mianmao Highway and it is expected that the construction work of Mianmao Highway will commence by end 2012. The two projects are expected to be completed in 2016. As for project funding, the Sichuan Provincial Department of Transportation estimated that the revised proposal of the two projects incurs additional expense of some RMB¥1.5 billion. The Sichuan side has indicated that it will raise the required project funds by its own means and has no intention to seek additional funding support from the HKSAR Government.

16. As Provincial Road 303 is a lifeline access to the Wolong Nature Reserve, the progress of a series of Wolong reconstruction projects has therefore been affected. Of the 23 Wolong projects, 13 are estimated to be completed by the end of this year, while the remaining 10 projects are expected to be completed in 2013.

17. In general, according to existing progress, it is estimated that except for the two infrastructure projects and several Wolong projects, all HKSAR Government-led projects can be completed in early next year.

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 funded 32 NGO projects 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 such as training and counselling. The total commitment by the Trust Fund in this regard is about HK\$262 million (see **Part 3 of Annex 1** (in Chinese only) for details). As at end of November this year, among the 32 NGO projects, 28 construction projects have been completed and another 4 non-construction projects have commenced their service provision, serving 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 for 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 November this year, of the seven reconstruction projects, four have been completed, except for one non-construction project, the remaining two projects are estimated to be completed within this 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 refining the reconstruction projects and research on emergency responses to natural disasters.

Continue to Press Ahead Reconstruction Projects

20. The project and funding management mechanisms put in place by the Hong Kong and Sichuan sides have been operating smoothly. Through the existing coordination mechanism, the HKSAR Government 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 Government, such as on-site inspections to examine progress, quality and use of the funds of the projects, so as 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. Please refer to **Appendix of Annex 1** (in Chinese only) for the latest report of technical inspection. On the whole, the existing monitoring mechanism has been effective. To ensure project quality has always been the top priority of both the Hong Kong and Sichuan sides.

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 SCHKMAO 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 SCHKMAO, 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 2012 Annual Review Meeting will be held 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 2012) had been completed and was submitted to the LegCo on 7 November 2012 by the Trustee.

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 (CS) 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 November 2012, under the above coordination and liaison mechanism, the HKSAR and Sichuan Governments have convened five High-level meetings, nine Coordination Working meetings, 77 dedicated project group meetings and 1115 meetings at other working levels.

26. Apart from representatives from relevant bureaux/departments of the HKSAR Government, non-government personnel and experts of the relevant platforms also attended the expert group and working-level meetings as necessary. As at end of November this year, representatives of Hong Kong have taken part in 488 inspections (excluding those conducted by independent professional consultants engaged by the HKSAR Government), involving a total of some 3201 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\$82.56 million (as at end of November 2012), the Trust Fund has accumulated about HK\$9.083 billion. As at end of November 2012, the non-allocated fund of the Trust Fund amounts to HK\$74.56 million. The breakdown of the commitment of the Trust Fund is as follows –

Areas	Estimated Expenditure		Funds Released	
	(RMB¥ billion)	(HK\$ billion)	Amount (HK\$ billion)	Percentage
First stage projects	1.645	1.872	1.787	95.5%
Second stage projects	3.365	3.840	3.566	92.9%
Third stage projects	2.493	2.881	1.444	50.1%
NGOs projects	--	0.262	0.229	87.4%
Manpower and operating expenditure (including independent professional consultant fee)	--	0.153	--	--
Contingencies	--	0.075	--	--
Total:	--	9.083	--	--

Conclusion

28. The HKSAR Government will continue to maintain close communication and liaison with the Sichuan Government to ensure the smooth completion of the reconstruction projects, to step up monitoring of works and use of funds of the projects, and to oversee the audit work of completed projects.

Development Bureau
Constitutional and Mainland Affairs Bureau
December 2012