

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 seven 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 and 19 December 2011 respectively. We have now prepared the eighth report, which covers the latest progress of the HKSAR's 151 reconstruction projects, 32 Non-Governmental Organisations ("NGO's) 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 May 2012, 90 projects have been completed. Except for the two infrastructure projects, namely Provincial Road 303 and Mian Mao Highway, and several Wolong projects of which work progress have been affected by natural disasters such as torrential rains and mudslides, all remaining HKSAR Government-led projects are estimated to be basically completed by end of this 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 19 below). Seven reconstruction projects of the HKJC involve a total commitment of HK\$862 million (see paragraph 23 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 medical and health, four social welfare services, and one infrastructure (Provincial Road 303) projects, as well as one Wolong project.

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.

6. As at end of May this year, 16 of the first stage projects have been completed. Progress of the projects is tabulated below-

	Under Construction	Completed	Total
Education	-	5	5
Medical and Health	1	8	9
Social Welfare Services	2	2	4
Infrastructure	1*	-	1
Wolong	-	1	1
Total	4	16	20
Percentage	20%	80 %	-

(*Note: As a result of large-scale flooding and mudslides in 2010 and 2011, the design 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\$1.774 billion (around RMB¥1.560 billion), or 95 % 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 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 May this year, 71 of the second stage projects have been completed. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	4	47	51
Medical and Health	6	14	20
Social Welfare Services	1	6	7
Wolong	18	4	22
Total	29	71	100
Percentage	29 %	71%	

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\$3.527 billion (around RMB¥3.092 billion) to the Sichuan Dedicated Account, representing 92% 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 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 persons with disabilities) and one infrastructure (Mian Mao Highway) projects. Progress of the projects is tabulated below –

	Under Construction	Completed	Total
Medical and Health	6	-	6
Social Welfare Services	21	3	24
Infrastructure	1*	-	1
Total	28	3	31
Percentage	90%	10%	-

(*Note: As a result of large-scale flooding and 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\$1.424 billion (around RMB¥1.249 billion) to the Dedicated Account, which accounts for about 49% of the third stage commitment.

Summing up the Three Stages of Reconstruction Projects

14. As at end of May this year, 90 of the 151 projects in the three stages have been completed. Overall progress of the projects is tabulated below –

	Under Construction	Completed	Total
Education	4	52	56
Medical and Health	13	22	35
Social Welfare Services	24	11	35
Infrastructure	2	-	2
Wolong	18	5	23
Total	61	90	151
Percentage	40.4%	59.6%	

15. A vast majority of education projects have now been completed while the remaining projects are expected to come into operation before the school year starts in September this year, allowing school children in quake-stricken areas to return to schools with a safe environment as soon as possible. On medical and health projects, more than half of these projects have now been completed while the remainder is estimated to be completed by end of November this year. As to the social welfare services projects, hardware construction of most of the projects are progressing well. As some rehabilitation centres for persons with disabilities are located at remote and cold areas of Sichuan, the progress of their construction work depends on the weather. All social welfare services projects are estimated to be completed by end of November this year.

16. The frequent geological disasters such as large-scale mudslides and landslide caused by torrential rains during the summers of 2010 and 2011 in Sichuan have seriously affected the two infrastructure projects (Provincial Road 303 and Mian Mao Highway) with many parts of roads and bridges that had been completed toppled down or submerged by the floods. 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 studies, 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. Under the revised design proposal, the two roads will mainly be built in the form of long tunnels and elevated road bridges, and the risk of natural disasters along the two roads have been taken into account in determining their alignments and heights. Construction works of the two projects will resume within this year and are estimated 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¥1.843 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.

17. As Provincial Road 303 is a lifeline access to the Wolong Nature Reserve, the progress of a series of Wolong reconstruction projects have therefore been affected. Of the 23 Wolong projects, 18 are estimated to be completed by the end of this year, while the remaining five projects are expected to be completed in the first half of next year.

18. In general, according to existing progress, it is estimated that except for the two infrastructure projects and individual Wolong projects, all HKSAR Government-led projects will be basically completed by the end of this year.

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

19. In line with the “Government-led, full community involvement” approach and to garner 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 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 such as training and counseling. 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).

20. As one of the 33 NGO projects approved by the Trust Fund, the reconstruction of the teaching block of Mianyang Ethnic Secondary School (the School) was undertaken by the Hong Kong Federation of Education Workers Education Organisation Limited (“the Federation”) and had received funding support of HK\$2 million from the Trust Fund. The teaching block was completed and opened in March 2010. On 21 May 2012, the Mainland media reported, and the HKSAR Government confirmed, that without prior consent of the HKSAR Government, the teaching block of the School was torn down. Given the latest development, the Federation has written to the HKSAR Government, indicating its intention to withdraw its funding application and return the HK\$2 million funding support to the Trust Fund.

21. On 24 May 2012, the HKSAR Government discussed the above issue with the Sichuan side. Subsequently, the Sichuan side agreed and confirmed that the HK\$2 million funding was refunded to the Trust Fund on 28 May 2012.

The Trust Fund has excluded the School from its list of reconstruction projects. In other words, there are now 32 NGO projects funded by the Trust Fund.

22. As at end of May this year, 21 of the 32 NGO projects have been completed, and another eight projects have commenced their service provision, serving their local communities.

Reconstruction Projects by the Hong Kong Jockey Club

23. 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 April 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 by end of 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

24. 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 the support fund.

Project Management

25. 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 use of 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, has 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). 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

26. 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 was held in March 2012. 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.

27. 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 Trustee is now preparing the Trust Fund's audited annual statement of accounts (as at 31 March 2012) and will submit to the LegCo by end of 2012.

Continue to Enhance Communication and Liaison between the two Governments

28. 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.

29. As at end of May this year, under the above coordination and liaison mechanism, the HKSAR and Sichuan Governments have convened five High-level meetings, nine Coordination Working meetings, 47 dedicated project group meetings and 1,042 meetings at other working levels. In May this year, CS led a HKSAR delegation to visit Sichuan. During the visit, he co-chaired a high-level meeting with Mr Wei Hong, the Executive Vice-Governor of Sichuan to conclude the reconstruction support work of the current-term HKSAR Government; discuss the follow-up work of reconstruction; and explore ways to further promote multi-faceted cooperation between the two sides on the basis of close partnership built through the reconstruction work.

30. Apart from representatives from relevant bureaux/departments of the HKSAR Government, non-government experts of the relevant platforms also attended the expert group and working-level meetings as necessary. As at end of May this year, representatives of Hong Kong have taken part in 390 inspections (excluding those conducted by independent professional consultants engaged by the HKSAR Government), involving a total of some 2 900 man-days. The inspections basically covered all of the HKSAR reconstruction projects.

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

31. Taking into account the total commitment of HK\$9 billion approved by the FC, public donation and the accrued interest of some HK\$64 million (as at end of May 2012), the Trust Fund has accumulated about HK\$9.064 billion. As at end of May 2012, the non-allocated fund of the Trust Fund amounts to

about HK\$73 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	1.774	95%
Second stage projects	3.365	3.840	3.527	92%
Third stage projects	2.493	2.881	1.424	49%
NGOs projects	--	0.262	0.228	87%
Manpower and operating expenditure (including independent professional consultant fee)	--	0.136	--	--
Non-allocated fund	--	0.073	--	--
Total:	--	9.064	--	--

Manpower Resources

32. While vast majority of the HKSAR reconstruction projects will be completed by end of this year, there is still a considerable amount of follow up work which requiring close liaison with Sichuan, such as overall completion inspections, accounts auditing, consolidating residual fund, as well as to plan, implement and monitor the use of the residual fund. We estimated that follow up work for over 180 projects funded by the Trust Fund would carry on until 2013/14, except for Provincial Road 303 and Mian Mao Highway.

33. At present, the Trust Fund has set aside HK\$0.136 billion for manpower and operating expenditure (see table above). As at end of May 2012, the accumulated actual expenditure on this area totaled HK\$0.102 billion. The expenditure covers, among other things, temporary posts created by bureaux to take forward reconstruction work and costs for engaging independent professional consultants. To cope with the ongoing work within the overall commitment of the Trust Fund, relevant bureaux and departments will assess manpower needs having regard to the actual workload. In addition, they will streamline manpower establishment and redeploy internal resources to cope with the residual work.

Next Steps

Promotion of multi-faceted cooperation between Hong Kong and Sichuan

34. With the successive completion of the vast majority of reconstruction projects by the end of this year, the HKSAR's efforts in support of reconstruction in the Sichuan earthquake stricken areas have borne fruit. Sichuan and Hong Kong have built up sound mutual trust and close relationship through the reconstruction work; and on this basis the two Governments will continue to promote multifaceted cooperation. During his visit to Sichuan in May this year, CS and leaders of the Sichuan Provincial Government witnessed the signing of the "Cooperation Agreement on Construction between Sichuan and Hong Kong" and the "Cooperation Agreement on Tourism between Sichuan and Hong Kong" by representatives from both sides. The two Governments will jointly explore the possibility of implementing early and pilot measures relating to construction service in Sichuan to facilitate the construction sectors of both sides to open up areas of cooperation that will be mutually beneficial. The tourism administrations will also step up joint efforts on promotion and enhancement of tourism products and service quality in both places. To conclude, continued efforts will be made by the two Governments to increase Sichuan–Hong Kong cooperation both in depth and breadth.

35. The HKSAR Government will continue to maintain close communication and liaison with the Sichuan Government to press ahead with the reconstruction projects, to step up monitoring of works and use of funds of the projects, to oversee the audit work of completed projects, and to explore multi-faceted cooperation between the two places. 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.

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