

(Translation)

Cooperation Arrangement on Support of Restoration and Reconstruction
in the Sichuan Earthquake Stricken Areas
between the Hong Kong Special Administrative Region Government and
the People's Government of Sichuan Province

1. Preamble

To facilitate the Hong Kong Special Administrative Region (HKSAR)'s post-quake restoration and reconstruction support work in Sichuan, the HKSAR Government (the Hong Kong side) and the People's Government of Sichuan Province (the Sichuan side) have, after deliberation, reached a consensus on the basic principles and implementation details of the reconstruction support work as set out below.

2. Background

- 2.1 The massive earthquake measuring 8.0 on the Richter scale that hit Wenchuan County in Sichuan Province on 12 May 2008 has caused serious destruction to the Sichuan Province - the quake's epicentre and its neighbouring areas. Tens of thousands of fellow countrymen were killed. Damage to the Sichuan Province was particularly serious with the quake-stricken area over 250 000 km², of which 100 000 km² was hard-hit. Post-quake restoration and reconstruction is a colossal and urgent task, it needs the support of all sides. Subscribing to the concepts of "When one place suffers misfortune, aids come from all sides", "People-based" and "Blood is thicker than water", the Hong Kong side will make every effort to work with, and assist the Sichuan side to implement post-quake restoration and reconstruction works with a view to rebuilding the homeland of the victims and allowing them to restore their normal lives soonest possible.
- 2.2 After the earthquake in Wenchuan, Sichuan, all sectors of the HKSAR actively engaged in providing disaster relief. On 14 May 2008, the HKSAR Legislative Council (LegCo) approved a provision of HK\$350 million for injection to the Disaster Relief Fund, for the purpose of emergency disaster relief. The Hong Kong community had donated generously to support the disaster relief work for the earthquake victims. A total of 136 officers from the HKSAR's Fire Services Department, Department of Health, Government Flying Services, Food and

Environmental Hygiene Department, Water Supplies Department, and Hospital Authority were deployed to the stricken areas to provide support in rescue operations, environmental hygiene control, and medical support services such as surgical procedures, psychological counseling and rehabilitation treatment.

- 2.3 Mr Donald Tsang Yam-kuen, Chief Executive of the HKSAR, led a delegation to visit the disaster-stricken areas in Sichuan from 27 to 29 June 2008, and to exchange views with top leaders including Mr Liu Qibao, Secretary of Sichuan Province, Mr Jiang Jufeng, Governor of Sichuan Province, and representatives from relevant government departments of the Sichuan side on the mechanism and related arrangements regarding HKSAR's participation in restoration and reconstruction works, and on the scope and mode of assistance. As a follow-up, Mr Henry Tang Ying-yen, Chief Secretary for Administration of the Hong Kong side, and Mr Wei Hong, Executive Vice-governor of the Sichuan side, convened the first meeting of "HKSAR's Participation in Restoration and Reconstruction Coordination Mechanism" on 1 August 2008 at which both sides had a constructive exchange of views on the HKSAR's preparation in post-quake restoration and reconstruction works and reached an initial consensus on the scope and mode of the reconstruction support work, and the participation of Hong Kong non-government organisations in such work. Close liaison has been maintained between the Hong Kong and Sichuan sides to work on the relevant details.

3. Basic Principles

- 3.1 Support to the Sichuan side in implementing post-quake restoration and reconstruction works from the Hong Kong side shall be provided in accordance with the "One Country Two Systems" principle, "The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China", "Regulations on Post-Wenchuan Earthquake Restoration and Reconstruction" promulgated by the State Council and "State Overall Planning for the Post-Wenchuan Earthquake Restoration and Reconstruction", as well as under the framework of other rules and regulations, plans and policies of the Mainland on post-Sichuan earthquake restoration and reconstruction.
- 3.2 Projects directly funded by the Hong Kong side will be identified by the Sichuan and Hong Kong sides through consultation. The nature, contents, scope, estimates, and beneficiaries for these projects will be confirmed by both sides

before implementation. According to initial assessment, projects undertaken by the Hong Kong side will take about three to five years to complete. During this period, the HKSAR will use its best endeavors to provide financial support to the agreed projects, and will consider offering assistance in necessary support services, such as medical and rehabilitation services, professional training and supply of materials, in the light of the nature of individual projects and the actual needs of the stricken areas subject to the agreement of both sides.

3.3 The Hong Kong side shall assist the Sichuan side in taking forward the reconstruction support work which will be undertaken on a project basis and in phases. Both sides have agreed on the following basic principles:

- (1) Each funded project will be a separate project item;
- (2) Project fund management shall follow the principle that disbursement of funds will be made in accordance with the progress of work. Funds required will be released by installment having regard to the progress of work and in accordance with relevant financial legislation and rules of the HKSAR; and
- (3) Technical standards for the work projects should comply with Mainland rules and regulations, and should be subject to appropriate monitoring mechanism.

4. Reconstruction projects implemented by the Hong Kong side

4.1 The Hong Kong side will use its best endeavors to provide funding support to the reconstruction projects in the three to five years reconstruction period. The aim is that the overall financial commitment of the HKSAR will not exceed HK\$10 billion. The actual amount of the funding will depend on the provisions approved by the HKSAR LegCo and the amount of public donations. The scope of the reconstruction projects concerned shall include those directly funded by the Hong Kong side and those jointly funded through coordination between the Hong Kong side and Hong Kong public/non-government organisations, as well as projects undertaken by Hong Kong non-government organisations with funds received from the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas (the Fund).

- 4.2 Hong Kong's support of reconstruction work shall be undertaken on a project basis and in phases. In July 2008, the LegCo approved the creation of a new commitment of HK\$2 billion for injection into the Fund as the HKSAR's financial commitment to the reconstruction support work at the initial stage.
- 4.3 On 9 September 2008, the Sichuan side submitted a Revised List of Pre-selected Post-Sichuan Earthquake Restoration and Reconstruction Projects to be funded by the HKSAR (first batch) with information on 31 selected individual projects (**Annex 1**) and a List of Pre-selected Post-quake Reconstruction Projects for Wolong Natural Reserve with information on 26 selected projects (**Annex 2**) to the Hong Kong side for consideration. After discussions, both sides have identified a total of 20 projects for implementation in the first stage. According to initial assessment, the estimated costs of these projects amount to RMB\$1.665 billion (equivalent to around HK\$1.897 billion¹). Basic information and preliminary estimates of these projects are summarised in the HKSAR First Stage Post-quake Restoration and Reconstruction Projects in Sichuan (**Annex 3**). More detailed estimates will be prepared by the Sichuan side and will be finalized after deliberation and confirmation by both sides.
- 4.4 On the basis of compliance with the relevant financial legislation and regulation of the HKSAR, the Hong Kong side agrees in principle to the funding of 12 other reconstruction projects listed in **Annex 1** and 25 other projects for Wolong Natural Reserve listed in **Annex 2**.² For these projects that cannot be implemented in the first stage, the Hong Kong side will put forward funding applications to the HKSAR LegCo in due course, so as to continue to take forward the implementation of reconstruction work.
- 4.5 To allow for a more comprehensive planning of reconstruction support work, the Sichuan side is now preparing more projects for consideration by the Hong Kong side as soon as possible.

¹ The exchange rate of HK\$100 to RMB\$87.766 on 6 October 2008 is applied.

² In respect of some of the other items in **Annex 1** and **Annex 2**, the Hong Kong side is discussing with the Hong Kong Jockey Club (HKJC) to explore the possibility of using part of the HK JC's previously pledged HK\$1 billion fund for joint efforts with the Hong Kong side in some of the projects in the first stage.

5. Project Management

5.1 The Hong Kong side shall assist Sichuan in taking forward the reconstruction support work on a project basis and in phases. Both sides agree to implement the reconstruction support work in accordance with the principles and arrangements set out as follows:

- (1) The technical standards for the works projects funded by the Hong Kong side should comply with the legislation and regulations of the Mainland, and should be subject to the appropriate monitoring mechanism. The Hong Kong funded projects in the Mainland and the related technical standards should comply with the relevant legislation, regulations and policies of the Mainland. The Sichuan side would like to take advantage of this opportunity to bring in the HKSAR's experience and technical know-how in planning, design and management, and to draw references from the expertise of the professional agencies/personnel assigned by the Hong Kong side on the planning, design, implementation, consultancy, management, monitoring, accounting and auditing of the funded projects provided on a need basis within the parameters of the relevant State requirements and policies.
- (2) For projects directly funded by the Hong Kong side, the Sichuan side should be responsible for the actual implementation, as well as the daily management and supervision of the projects. Tendering of these projects should be conducted in accordance with the relevant legislation, regulations and institutional procedures of the Mainland and may call for contracting enterprises with a higher level of qualification.
- (3) The Sichuan and Hong Kong sides will jointly examine the actual progress of the projects, organize regular or irregular inspections and conduct site inspections of the works to check on the progress, quantity and quality of the materials used as well as the use of the allocated funds. In case of need, the Hong Kong side may consider appointing professional agencies/personnel to take part in the inspection work. To ensure proper implementation of the projects, any problems identified in the process will be discussed and addressed by both sides in a timely manner.
- (4) As a fund provider, the Hong Kong side shall not carry any legal

responsibilities arising from the reconstruction support projects. These include for example any contractual, civil and other legal responsibilities arising from the planning, design, construction and the subsequent uses, operation and maintenance of the projects concerned.

5.2 Following the commencement of the reconstruction support projects, both sides could amend, add/delete or supplement the project management arrangement as set out in Section 5.1 above if necessary, in the light of the implementation experience and actual needs.

6. Funding Management

6.1 Both sides will cooperate with each other to ensure that the reconstruction support funds of the Hong Kong side will be used effectively and efficiently. Both sides agree to manage the reconstruction support funds in accordance with the following principles and arrangements:

- (1) Each funded project will be a separate project item. Each phase of the funded programme will be clearly defined, setting out the nature, contents, scope, estimates and beneficiaries for each and every projects covered by the programme.
- (2) Disbursement of project funds will be made in accordance with the anticipated progress of work. Funds required will be released by installment having regard to the progress of each phase. The Sichuan side will set up a “Dedicated Account for the HKSAR’s Trust Fund in Support of Reconstruction Works in Sichuan” (the Dedicated Account) to handle cross-boundary fund transfer and disbursement of the Reconstruction Support Fund. To meet the funding needs of the projects, the Hong Kong side will, as far as possible, transfer funds required from the Reconstruction Support Fund to the Dedicated Account during every 12-month period.
- (3) Both sides will work out the milestones for each project. Except projects with a special nature, the works milestones will be divided into four phases: completion of foundation works, completion of 50 per cent of the superstructure, completion of the superstructure and completion of the building services, internal fitting and any other remaining works. Both sides will agree on the funding requirement and timing of each milestone

before the projects are taken forward.

- (4) The first installment should be paid out by the Hong Kong side in the form of advance payments, the amount of which will be determined by the Sichuan side's projection of works milestones to be completed in the first 12 months and the total expenditure of all projects thus incurred.
- (5) Nearing the end of the 12 months period, the Sichuan and Hong Kong sides will jointly examine the progress of each project, confirm the works completed and conduct site inspections. The project implementation unit of the Sichuan side should submit documents such as report by an independent notary, project programme/photos/plans showing the progress of works, notes of meetings and records of test as proof. Before proceeding with the second milestone, the Sichuan side will work out the project cost required for the next 12 month period in the light of actual progress of work, the remaining volume of work (on the basis of the works milestones) and the construction period for each project and will discuss with the Hong Kong side the funds for the next installment.
- (6) The Sichuan side will strictly control the construction scale, the works standards and estimates. The overall expenditure of the projects in the relevant phase should not exceed the financial commitments agreed by the Hong Kong side. If the scale and estimates of the project need to be adjusted due to unforeseen circumstances, both sides must achieve consensus through consultation and to handle such cases in accordance with the relevant financial legislation and regulations.
- (7) If there are still funds remaining after the completion of all reconstruction support projects of the Hong Kong side, both sides will agree on the arrangement of such funds after consultation.

6.2 Following the commencement of the reconstruction support projects, both sides could amend, add/delete or supplement the project management arrangement as set out in Section 6.1 above if necessary, in the light of the implementation experience and actual needs.

7. Liaison and Coordination mechanism

- 7.1 Both sides agree to set up the “Hong Kong-Sichuan Liaison and Coordination Group on Post-quake Reconstruction Meeting” (the liaison mechanism) as a forum on a regular or irregular basis to ensure efficient liaison and coordination of the reconstruction support work between the two sides. The liaison mechanism comprises of three-tiers.
- 7.2 The first tier shall be a high-level coordination group formed by senior officials of both sides with meetings convened on a regular or irregular basis. The Hong Kong side Convenor shall be the Chief Secretary for Administration of HKSAR and that for the Sichuan side, a Vice-governor of Sichuan Province. The members shall be representatives from the relevant government departments of the two sides. The main objectives are: to endorse the funding and projects of the annual plan for the reconstruction support work, to coordinate and resolve major issues in the course of implementation of the projects and to examine the use of the annual funding and the progress of the project implementation.
- 7.3 The second tier shall be a coordination working group with meetings convened on a regular or irregular basis. The Hong Kong side shall consist of a Convenor who shall be a representative of the Constitutional and Mainland Affairs, with relevant government department representatives as its members. The Convenors of the Sichuan side shall be the representatives of the Sichuan Development and Reform Commission (DRC) and the Sichuan Hong Kong and Macau Affairs Office (HKMAO). Members comprise representatives from the relevant government departments of Sichuan. The Sichuan side will set up a “Coordination Office of HKSAR Participation in Post-quake Reconstruction in Sichuan” led by the Sichuan DRC and the Sichuan HKMAO to liaise with their Hong Kong counterparts. The coordination working group shall report to the high-level coordination group. Its main duty is to manage and follow up on the post-quake reconstruction support work in which the HKSAR organisations/departments are involved in the Sichuan stricken-areas. This includes the coordination of reconstruction support funding and projects, the organisation of implementation and monitoring of the projects and any other duties assigned by the high-level coordination group.
- 7.4 The third tier shall be the dedicated project groups with meetings convened on a regular or irregular basis. The Convenors shall be the lead department

representatives and their members shall include representatives from the relevant government departments as well as from the participating organisations from both sides. The main duties of the dedicated project groups shall be to manage projects under their specific areas of work with HKSAR participation (e.g. infrastructure facilities, public services facilities, Wolong Natural Reserve projects and medical and rehabilitation services), to assist the coordination working group in its work e.g. funding arrangements, preliminary planning and budgeting, professional and technical support and any other duties assigned by the coordination working group. The membership and the number of project groups to be formed may be varied by both sides from time to time taking into account the progress of the reconstruction support work by HKSAR Government and depending on the needs arisen and the actual situation.

7.5 Hong Kong Economic and Trade Office in Chengdu of the Hong Kong side shall continue with its bridging role to assist in the daily liaison of HKSAR reconstruction support work in Sichuan.

This Arrangement was signed on the eleventh day of October in the year two thousand and eight.

For and on behalf of
People's Government of Sichuan
Province, People's Republic of China

For and on behalf of
Hong Kong Special Administrative
Region Government, People's
Republic of China

Date: October 2008

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