

Youth Development Fund

The Audit Commission (“Audit”) conducted a review of the implementation of the funding schemes under the Youth Development Fund (“YDF”).

2. In the 2015 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced the set-up of a \$300 million YDF as one of the initiatives to enhance support for the youngsters through supporting innovative youth development activities which are not covered by existing schemes, including subsidy in the form of matching fund for non-governmental organizations (“NGOs”) to assist young people to start their own businesses. A number of funding schemes have been launched to promote youth development through collaboration with NGOs, including the Funding Scheme for Youth Entrepreneurship in the Guangdong-Hong Kong-Macao Greater Bay Area (“the Entrepreneurship Scheme”), the Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in the Guangdong-Hong Kong-Macao Greater Bay Area (“the Experiential Scheme”), the Funding Scheme for Youth Adventure Training Activities and the Funding Scheme for Youth Positive Thinking Activities.

3. As at 30 June 2024, the total approved commitment of YDF amounted to \$900 million, and the amounts approved and disbursed under various funding schemes of YDF totalled \$244.6 million and \$166.8 million respectively. The Home and Youth Affairs Bureau (“HYAB”) is responsible for the implementation of youth development initiatives including YDF.

4. The Committee noted the following Audit’s findings:

Entrepreneurial funding schemes

- YDF provided entrepreneurial support for youth through the Entrepreneurship Matching Fund and the Entrepreneurship Scheme. Both schemes provided young entrepreneurs with start-up capital support, while the latter provided more entrepreneurial support and incubation services to them;
- NGOs could apply for operating projects under these two schemes. An NGO applicant was required to provide a proposal detailing the objectives of the project and expected outcomes, selection and assessment process for young entrepreneurship applicants (“YEAs”), number of expected YEAs selected and corresponding budget and milestone achievements, etc. for HYAB’s vetting and the Youth

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Development Commission (“YDC”)’s consideration and approval. An assessment panel was formed under the Action Group on Youth Development Fund and Programmes to assess the funding proposals and make recommendations thereon. Upon selection of the NGO operators by the assessment panel, HYAB signed a funding agreement with each of them;

- under the Entrepreneurship Matching Fund, 9 (27%) NGOs were selected as operators out of 33 applications received with a total approved funding of \$24.3 million. As for the first round of the Entrepreneurship Scheme (February 2021 to June 2024), 16 (48%) NGOs were selected as operators out of 33 applications received with a total approved funding of \$136.8 million;
- HYAB, being the secretariat of YDC and the Action Group on Youth Development Fund and Programmes, had reported progress of the implementation of the two schemes, but had not compiled statistics and reported the acceptance rate of YEAs regularly; up to June 2024, HYAB did not maintain and report statistics of the survival rates of start-ups established under the two schemes;

The Entrepreneurship Scheme

- out of 2 805 applications received by the 16 NGO operators, only 217 (8%) YEAs were selected for providing start-up capital subsidy and related services;
- Audit’s examination of the implementation of projects by two NGO operators under the first round of the Entrepreneurship Scheme discovered that one of the operators (Operator A) had not kept proper documentation on the declarations of conflict of interest during the YEA selection process (including the assessment panel members from external parties);
- according to HYAB’s guidelines, an NGO operator was required to sign an agreement with each selected YEA, and the agreements must incorporate the “applicable terms and conditions” from the funding agreements between HYAB and NGO operators. However, HYAB had not specified which terms and conditions were “applicable”. Audit’s examination of the agreements of the 16 NGO operators with selected YEAs noted inconsistencies in the terms and conditions incorporated;

- according to the funding agreements, if the scope/scale of the programmes/activities against the funding proposals under the entrepreneurial support and incubation services had been reduced, the subsidy shall be reduced on a proportional basis or to such amount as the Government deems fit. However, for some programmes/activities, there were instances that HYAB still made the final payments of the services component subsidy to the NGO operators concerned without adjustments despite the expected number of persons benefited was not met;
- there were delays in the submission of reports by the 16 NGO operators for the period from February 2021 to June 2024. Among 158 reports which were due for submission on or before 30 June 2024, 86 (54%) reports were submitted late, ranging from 4 days to 27 months (averaging six months);

The Experiential Scheme

- in February 2021, HYAB entered into funding agreements with 15 NGO operators for implementing 18 programmes under the first round of the Experiential Scheme with a target of 767 participants. As of August 2023, there was a shortfall of six (33%) programmes and 466 (61%) participants, which were contributed by withdrawals of three NGO operators, cancellations of three programmes, and less participants recruited by some NGO operators than estimated. According to HYAB, the shortfalls were mainly because of the COVID-19 epidemic;
- NGO operators were responsible for recruiting applicants to join the programmes/activities. According to Operator C's funding proposal, it should openly recruit participants via different promotion channels including arranging eight roadshows in various tertiary institutions. Audit noted that Operator C only provided one roadshow to four tertiary institutions each, totalling four roadshows;
- NGO operators were required to submit a list of participants of the programme to HYAB. This information facilitated the cross-checking of the participants' eligibility that they had not participated in programmes organized under the Experiential Scheme by other NGO operators. Audit noted that, of the 45 participants of the programme of Operator C, the particulars of five (11%) participants on the list submitted to HYAB by Operator C did not tally with its records. The

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same discrepancies were also found in its post-trip questionnaires submitted to HYAB;

- for the period February 2021 to August 2023, there were delays in submission of completion reports and audited financial statements by NGO operators (ranging from 10 to 113 days). While there were delays in submission of completion reports by eight NGO operators and submission of audited financial statements by 12 NGO operators, HYAB only sent overdue report reminders to seven (58%) NGO operators. Furthermore, the reminders were not sent timely, i.e. ranged from 1 to 86 days (averaging 39 days) after the due dates of the reports;

Other youth development schemes

- Audit's examination revealed that as at 30 June 2024 (with the schemes having operated for a year): (a) for the Funding Scheme for Youth Adventure Training Activities, the actual number of participants ranged from 15% to 55% of the target numbers, with three out of the four NGO operators achieving less than half of the target numbers; and (b) for the Funding Scheme for Youth Positive Thinking Activities, the actual number of participants ranged from 17% to 84% of the target numbers, with four out of the seven NGO operators achieving less than half of the target numbers;
- for the Pilot Scheme on Youth Outdoor Adventure Training Activities, HYAB required the NGO operator to procure external consultancy services to conduct a review on the effectiveness of the scheme. Audit examined the records of the procurement process and noted changes to the tender price of the successful tenderer had been made by the NGO operator during the tender assessment process but there was no documentation on the justifications for the amendments, and no adjustment had been made to the other three tenderers' tender prices; and

Other related issues

- since the establishment of YDF in 2016, YDC and its relevant Action Groups had been overseeing the implementation of YDF's funding schemes and programmes. Audit noted that since YDC's establishment in April 2018 and up to July 2024, HYAB had only reported the overall utilization of YDF to YDC once and had not reported the projected utilization of YDF.

5. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses to the issues raised by Audit. The replies from the **Secretary for Home and Youth Affairs** are in *Appendix 23*.

6. The Committee wishes to be kept informed of the progress in implementing Audit's recommendations.