

YOUTH DEVELOPMENT FUND

Executive Summary

1. In his important speech delivered on 1 July 2022 and the Report to the 20th National Congress of the Communist Party of China, President Xi Jinping remarked that “Hong Kong will prosper only when its young people thrive”. According to the Government, it has all along attached great importance to youth development. Young people are encouraged to grasp the immense opportunities brought about by the development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and at the same time embrace the world. In the 2015 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced the set-up of a \$300 million Youth Development Fund (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 organisations (NGOs) to assist young people to start their own businesses. Over the years, a number of funding schemes have been launched to promote youth development through collaboration with NGOs (hereinafter referred to as NGO operators), including the Funding Scheme for Youth Entrepreneurship in GBA (the Entrepreneurship Scheme), the Funding Scheme for Experiential Programmes at Innovation and Entrepreneurial Bases in GBA (the Experiential Scheme), the Funding Scheme for Youth Adventure Training Activities (FSYATA) and the Funding Scheme for Youth Positive Thinking Activities (FSYPTA). 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 \$245 million and \$167 million respectively.

2. The Youth Affairs Branch of the Home and Youth Affairs Bureau (HYAB) is responsible for the policy formulation, coordination and implementation of youth development initiatives. HYAB released the Youth Development Blueprint in December 2022 to outline the overall vision and guiding principles for the Government’s long-term youth development work in future. The Government established the Youth Development Commission (YDC) to enhance policy coordination within the Government on youth development work. The Action Group on Youth Development Fund and Programmes, and Action Group on Youth Wellness of YDC are responsible for overseeing the implementation of programmes and activities relating to YDF, among other duties. The Audit Commission (Audit) has

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recently conducted a review to examine the implementation of the funding schemes under YDF.

Entrepreneurial funding schemes providing start-up capital support

3. *Need to keep under review funding allocated for supporting young entrepreneurs under the scheme.* YDF provides entrepreneurial support for youth through the Entrepreneurship Matching Fund (EMF) and the Entrepreneurship Scheme, which were launched in 2016 and 2019 respectively. Both schemes provide young entrepreneurs with start-up capital support, while the latter provides more entrepreneurial support and incubation services (e.g. mentorship programmes and relevant guidance and support on business operations) to them. Audit noted that under the first round of the Entrepreneurship Scheme:

- (a) 16 (48%) NGOs were selected as operators (with a total approved funding of \$136.8 million) out of 33 applications received. The NGO operators are responsible for selecting young entrepreneurship applicants (YEAs) for granting the start-up capital subsidy and providing the related services;
- (b) 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; and
- (c) HYAB, being the secretariat of YDC and the Action Group on Youth Development Fund and Programmes, had reported progress of the implementation of EMF and the Entrepreneurship Scheme but had not compiled statistics and reported the acceptance rate of YEAs regularly (paras. 1.5, 2.2 and 2.6 to 2.8).

4. *Need to ensure that a fair mechanism for selecting YEAs is in place.* According to HYAB's guidelines, NGO operators are required to have a fair mechanism for the selection of YEAs. Audit visited 2 NGO operators' offices to review the implementation of projects under the first round of the Entrepreneurship Scheme including the YEA selection process and found room for improvement. For example, 5 (23%) of the 22 YEAs selected by an NGO operator did not obtain the highest scores in the final interviews. According to the NGO operator, the YEAs were selected after deliberations of all the assessment panel members, and the

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assessment results had been sent to each member for confirmation. However, the documentation on the deliberations and some of the confirmations were not available. Also, for preliminary assessments and final interviews of YEAs, the documentary records of declarations of conflict of interest of some assessment panel members were not available for Audit inspection (paras. 2.13 and 2.14).

5. ***Need to ensure that checking of YEAs' eligibility is conducted in accordance with funding agreements.*** According to the funding agreements, NGO operators are responsible for checking the eligibility of YEAs. Regarding the checking of the eligibility criteria on whether the start-ups or YEAs have submitted the same or different applications to other NGO operators or received financial assistance other than public funds at the time of application, Audit examined the application forms prepared by all the 16 NGO operators and noted that 9 (56%) NGO operators did not request YEAs to make declaration concerning either or both criteria in the application forms. There was no documentary evidence showing that the NGO operators had taken other measures to check YEAs' eligibility in this regard (paras. 2.16 and 2.18).

6. ***Need to ensure that NGO operators deliver services in accordance with funding agreements.*** According to the funding agreements, NGO operators should carry out and complete the programmes and activities under two main categories, namely, start-up capital support and entrepreneurial support and incubation services. Audit noted that for the entrepreneurial support and incubation services provided under the Entrepreneurship Scheme, as at 30 June 2024, 4 NGO operators did not achieve the expected numbers of persons benefitted in 20 (27%) programmes/activities, with shortfall ranging from 13% to 89% (averaging 36%). According to the NGO operators, the under-achievements were mainly due to the impact of the coronavirus disease (COVID-19) epidemic (paras. 2.22 and 2.27).

7. ***Need to enhance monitoring of submission of reports by NGO operators.*** According to the funding agreements, NGO operators are required to submit reports within stipulated timeframes (i.e. every 3 to 6 months), as well as completion reports and audited accounts for monitoring purposes after completion of projects. Audit noted that:

- (a) ***EMF.*** For projects ended in the period from February 2018 to February 2021, 12 (44%) out of 27 reports (involving 4 NGO operators)

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were submitted late, ranging from 2 to 21 months (averaging 7 months) and the time taken to release final payments to NGO operators after their submission of the required reports ranged from 1 to 49 months (averaging 19 months); and

- (b) ***The Entrepreneurship Scheme.*** For the period from February 2021 to June 2024, among 158 reports which were due for submission by the 16 NGO operators on or before 30 June 2024, 86 (54%) reports were submitted late, ranging from 4 days to 27 months (averaging 6 months) (paras. 2.33 and 2.34).

8. ***Need to enhance coverage of monitoring visits.*** According to HYAB, YDC members and/or HYAB staff conduct monitoring visits to NGO operators to ascertain the effectiveness of the programmes/activities and monitor performance. Audit noted that:

- (a) for EMF, a total of 29 monitoring visits were conducted to all the 9 NGO operators. The number of visits to each NGO operator ranged from 2 to 6 times (averaging 4 times);
- (b) for the Entrepreneurship Scheme, a total of 44 monitoring visits were conducted to 13 (81%) out of 16 NGO operators. The number of visits to each NGO operator ranged from 1 to 8 times (averaging 3 times); and
- (c) there was no documentation on the reasons for not conducting monitoring visit to some NGO operators for the Entrepreneurship Scheme and conducting more frequent visits to some NGO operators for both schemes (para. 2.36).

The Experiential Scheme

9. ***Need to improve participation in the Experiential Scheme.*** The Experiential Scheme was rolled out in 2019 as one of the initiatives to enrich Hong Kong young people's understanding of the innovation and entrepreneurial bases in Mainland cities of GBA. Subsidy was provided for NGO operators to organise short-term experiential programmes (duration of 6 to 28 days). In February 2021, HYAB entered into funding agreements with 15 NGO operators for implementing

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18 programmes under the first round of the Experiential Scheme with a target of 767 participants. Audit noted that as of August 2023, there was a shortfall of 6 (33%) programmes and 466 (61%) participants, which were contributed by withdrawals of 3 NGO operators, cancellations of 3 programmes, and less participants recruited by some NGO operators than estimated. According to HYAB, the shortfalls were mainly because of the COVID-19 epidemic (paras. 3.2 and 3.4 to 3.7).

10. ***Need to enhance monitoring of NGO operators' work in recruiting participants.*** Audit visited the offices of 2 NGO operators to review the implementation of programmes under the Experiential Scheme, one of which was engaged to organise a 28-day programme for 45 participants. According to the NGO operator's funding proposal, it should openly recruit participants via different promotion channels (e.g. website, issuing promotion letters to tertiary institutions and arranging 8 roadshows in various tertiary institutions). Audit noted the following issues:

- (a) ***Inadequacies in promotion work.*** The link to the NGO operator's website was provided in the letters sent to tertiary institutions. However, the website was not updated to include essential information, for example, the departure date of the programme, which did not facilitate potential applicants planning their schedule and joining the programme. On the other hand, it only provided 1 roadshow to 4 tertiary institutions each, totalling 4 instead of 8 roadshows as stated in the funding proposal; and
- (b) ***Participants entirely from a single tertiary institution.*** The NGO operator had engaged a university in GBA as a "supporting tertiary institution" to help recruit its students to participate in the programme. According to the records of the NGO operator and HYAB, there was a total of 52 applications, of which 45 were from students of the university. Some applicants attaining higher scores in the interviews did not participate due to personal reasons, and all the 45 places were taken up by students of the university (paras. 3.13, 3.15, 3.16 and 3.19).

11. ***Need to ensure that checking of participants' eligibility is carried out in accordance with funding agreements.*** Hong Kong permanent residents aged between 18 and 35 and had not participated in any of the programmes under the Experiential Scheme before were eligible for the scheme. According to the funding agreements, NGO operators should ensure that participants met the two criteria by checking their

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eligibility. Audit examined the NGO operator's records and found that of the 45 participants, 2 were not Hong Kong permanent residents. In other words, they were ineligible but were allowed to participate in the programme. According to the funding agreement, all expenses incurred by ineligible participants would not be funded (paras. 3.23 and 3.25).

12. ***Need to enhance accuracy of participants' information submitted to HYAB.*** According to HYAB's guidelines, NGO operators are required to submit a list of participants of the programme (including name) to HYAB to facilitate cross-checking of participants' eligibility. Audit noted that, of the 45 participants, the particulars (including the names) of 5 (11%) participants on the list submitted to HYAB by the NGO operator did not tally with its records. The same discrepancies were also found in the post-trip questionnaires submitted to HYAB (paras. 3.28 and 3.29).

13. ***Room for improvement in checking participants' eligibility by HYAB.*** According to HYAB's guidelines, NGO operators should submit a list of participants with their particulars to HYAB for checking their eligibility. Audit noted that:

- (a) such information did not include Hong Kong identity card numbers, which might undermine the effectiveness of such checking; and
- (b) HYAB may request NGO operators to submit participants' declaration forms regarding their eligibility for the scheme (which included the Hong Kong identity card numbers of participants). However, there was no evidence that HYAB had made such request for monitoring purposes as of July 2024 (para. 3.38).

14. ***Room for improvement in monitoring of performance of NGO operators.*** Audit noted the following issues:

- (a) ***Delay in submission of reports by NGO operators.*** According to the funding agreements, NGO operators are required to submit reports (e.g. completion reports and audited accounts) of the programmes within the specified timeframe for disbursement of grants and monitoring purposes. There were delays in submission of reports by NGO operators. For example, for the period February 2021 to August 2023, the delays in

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submission of audited financial statements ranged from 10 to 113 days (averaging 56 days). Furthermore, the overdue report reminders were sent 1 to 86 days after the due dates of the reports (averaging 39 days); and

- (b) *Need to enhance coverage of monitoring visits.* For the period March 2021 to September 2023, a total of 21 monitoring visits were conducted by YDC members and/or HYAB staff to 11 (92%) of the 12 NGO operators, the number of visits to each NGO operator ranged from 1 to 3 times. There was no documentation on the reasons for not conducting visits to the NGO operator and more visits to some NGO operators (paras. 3.40 to 3.42 and 3.45).

15. *Need to consider setting performance indicators for the Experiential Scheme.* According to HYAB, an indicator had been set in the 2023 Policy Address to increase the number of beneficiaries under various youth exchange and internship programmes in the Mainland and overseas under the bureau from about 17,000 in 2019 to no less than 30,000 in 2024. This indicator covered the Experiential Scheme, which served similar purpose of enriching the experience of young people through offering exposure opportunities outside Hong Kong. However, no performance indicator had been set specifically for the Experiential Scheme. To evaluate the effectiveness and enhance accountability, HYAB needs to consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon (paras. 3.48 and 3.49).

Other youth development schemes

16. *Need to keep in view participation in FSYATA and FSYPTA.* FSYATA and FSYPTA subsidise NGO operators to provide adventure training activities for young people in support of their healthy personal development and organise projects that are conducive to nurturing young people's positive thinking respectively. NGO operators are required to state the target numbers of participants in the funding proposals. Audit noted that the progress of some NGO operators appeared to be slower as at 30 June 2024 (with the schemes having operated for a year):

- (a) for FSYATA, the projects should run from July 2023 to August 2025. The actual number of participants ranged from 15% to 55% of the target numbers, with 3 out of the 4 NGO operators achieving less than half of the target numbers; and

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- (b) for FSYPTA, the projects should run from July 2023 to June 2025. The actual number of participants ranged from 17% to 84% of the target numbers, with 4 out of the 7 NGO operators achieving less than half of the target numbers (paras. 4.2, 4.5, 4.6 and 4.8).

17. ***Need to ensure timely submission of reports and returns by NGO operators.*** According to the funding agreements, NGO operators shall submit reports (e.g. completion reports and audited accounts) for disbursement of grants and for monitoring purposes. For FSYATA, they were also required to submit monthly returns for activities to be organised to HYAB within a specified timeframe. Audit noted that some NGO operators did not submit the reports and returns in accordance with the stipulated timeframes. For example, for FSYATA, the delays for submission of the progress report was 30 days and those for returns ranged from 1 to 29 days (averaging 6 days). Despite delays in the submissions, reminders were only sent to 3 (50%) of the 6 NGO operators to follow up on overdue reports and returns (paras. 4.17 to 4.20).

Other related issues

18. ***Need to continue to broaden membership of the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area (the Alliance).*** HYAB and two other leading parties established the Alliance in December 2023 to provide young entrepreneurs with a one-stop information, publicity and exchange platform. As at 30 June 2024, there were 59 member organisations and 44 activities had been organised. The objectives of the Alliance are, among others, to leverage on member organisations' resources and to foster exchange and cooperation among the stakeholders. Hence, a broader membership is conducive to the Alliance's development and operations. There was scope for expanding the membership of the Alliance (paras. 5.2 to 5.4).

19. ***Room for improvement in managing the thematic website.*** To promote the entrepreneurial support schemes, HYAB and YDC launched the "We Venture" thematic website in February 2021 providing information of NGO operators and their projects/programmes. Audit noted that the numbers of page views and unique visitors decreased by 64% and 36% respectively in 2023 compared to 2021 and some information that was of concern to applicants (e.g. announcement date for application results) was not always provided on the website (paras. 5.5 and 5.6).

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20. ***Need to report YDF financial position to YDC.*** Since the establishment of YDF in 2016, YDC and its relevant Action Groups (see para. 2) have 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 utilisation of YDF to YDC once and had not reported the projected utilisation of YDF (paras. 5.20 and 5.21).

21. ***Need to leverage YDF to further support youth development.*** Set up in 2016 and having a total approved commitment of \$900 million, as at 30 June 2024, about \$245 million funding had been approved under YDF. According to HYAB, it has planned to launch new rounds of the various youth development schemes in this year and the next few years, covering areas including youth entrepreneurship, youth adventure training and youth positive thinking, etc. With the enormous development potential in GBA, the Government's commitment in supporting youth development and youth entrepreneurship and HYAB's plan to launch new rounds of the youth development schemes, HYAB needs to continue to, in consultation with YDC, upon reviewing the financial position of YDF, explore measures to ensure the optimal utilisation of YDF (paras. 5.25 and 5.26).

Audit recommendations

22. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for Home and Youth Affairs should:**

Entrepreneurial funding schemes providing start-up capital support

- (a) **for the Entrepreneurship Scheme, provide more management information (e.g. acceptance rate of YEAs) to YDC and the Action Group on Youth Development Fund and Programmes to facilitate their review of the implementation details of the scheme (para. 2.10(a));**
- (b) **continue to provide more assistance and guidance to prospective NGO applicants and step up efforts in encouraging more NGOs to join the Entrepreneurship Scheme (para. 2.10(b));**

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- (c) **take measures to enhance the selection process of YEAs by NGO operators, including maintaining proper documentation on the assessment process (e.g. document justifications in cases where applicants with the highest scores in interviews were not selected), and management of conflict of interest (para. 2.31(a));**
- (d) **take measures to ensure that NGO operators' checking of the eligibility of YEAs is conducted in accordance with the funding agreements and properly documented (para. 2.31(b));**
- (e) **continue to take measures to ensure that NGO operators deliver programmes and activities under the entrepreneurial support and incubation services in accordance with the funding agreements (including expected numbers of persons benefitted), and require them to take prompt actions to rectify the shortfall in case of under-achievements (para. 2.31(e));**
- (f) **take further measures to ensure that NGO operators submit reports in accordance with the timeframes stipulated in funding agreements and expedite the payment process to NGO operators as far as practicable (para. 2.43(a));**
- (g) **expand the coverage of monitoring visits to all NGO operators, and specify the coverage and the frequency of monitoring visits in HYAB's guidelines (para. 2.43(b));**

The Experiential Scheme

- (h) **draw experience from the first round of the Experiential Scheme and provide assistance to NGO operators in delivering the programmes as appropriate in future, and step up efforts in promoting the scheme in collaboration with NGO operators (para. 3.11(b) and (c));**
- (i) **enhance monitoring of NGO operators' work in implementing the funding proposals, including the stated number of promotion activities, and remind NGO operators to recruit a more diverse mix of participants as far as practicable (para. 3.36(a));**

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- (j) **take measures to ensure that NGO operators conduct proper checks on participants' eligibility, and take follow-up actions to request refund from NGO operator(s) concerning ineligible participants (para. 3.36(c));**
- (k) **take measures to enhance the accuracy of information submitted by NGO operators regarding participants (para. 3.36(e));**
- (l) **strengthen monitoring of NGO operators' checking of participants' eligibility, including requesting NGO operators to submit participants' declaration forms for independent checking as appropriate (para. 3.50(a));**
- (m) **take measures to ensure that NGO operators submit reports in accordance with the stipulated timeframes, including issuing reminders to them in a timely manner, and expand the coverage of monitoring visits to all NGO operators (para. 3.50(b) and (c));**
- (n) **consider setting performance indicators for all schemes under YDF (including the Experiential Scheme) and reporting the achievements thereon (para. 3.50(d));**

Other youth development schemes

- (o) **continue to keep under review the progress of implementation of FSYATA and FSYPTA including the participation rates, and take follow-up actions as appropriate (para. 4.15(a));**
- (p) **continue to take measures to ensure that NGO operators of other youth development schemes submit reports and returns in accordance with the funding agreements, and take follow-up actions as appropriate (para. 4.32(a));**

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Other related issues

- (q) **continue to broaden the membership of the Alliance of Hong Kong Youth Innovation and Entrepreneurial Bases in the Greater Bay Area for providing more activities that benefit young entrepreneurs (para. 5.13(a));**
- (r) **keep under review the usage of the “We Venture” thematic website and take measures to attract more views and visitors, and consider providing more information (e.g. current status and timeline) related to the YDF schemes on the website (para. 5.13(b) and (c));**
- (s) **report the current and projected financial positions of YDF to YDC regularly for reference (para. 5.22(c)); and**
- (t) **continue to, in consultation with YDC, upon reviewing the financial position of YDF, explore measures to ensure the optimal utilisation of YDF (para. 5.28(a)).**

Response from the Government

23. The Secretary for Home and Youth Affairs agrees with the audit recommendations.