

CHAPTER 8

**Food and Health Bureau
Agriculture, Fisheries and
Conservation Department**

**Sustainable Fisheries Development Fund and
Sustainable Agricultural Development Fund**

**Audit Commission
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SUSTAINABLE FISHERIES DEVELOPMENT FUND AND SUSTAINABLE AGRICULTURAL DEVELOPMENT FUND

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Sustainable Fisheries Development Fund and Sustainable Agricultural Development Fund

Executive Summary

1. According to the Government, the agriculture and fisheries industries have been facing various challenges, for example, many local farmers have had limited application of modern agro-technology in production and local fishermen have been facing declining fisheries resources. To put the development of the agriculture and fisheries industries on a sustainable path, two funds namely the Sustainable Fisheries Development Fund (SFDF) and the Sustainable Agricultural Development Fund (SADF) were established in 2014 and 2016 respectively. Each fund had a commitment of \$500 million. To facilitate farmers, fishermen and fish farmers to acquire equipment and related materials to improve productivity and enhance sustainability, two subsidiary funding programmes, namely the Farm Improvement Scheme (FIS) and the Equipment Improvement Project (EIP) were set up under the SADF in December 2016 and under the SFDF in December 2017 respectively.

2. The Agriculture, Fisheries and Conservation Department (AFCD) is the department responsible for administering SFDF (including EIP) and SADF (including FIS). Two advisory committees, i.e. the SFDF Advisory Committee and the SADF Advisory Committee, have been set up to advise the Director of Agriculture, Fisheries and Conservation on the administration of SFDF and SADF. Members of the advisory committees are appointed by the Secretary for Food and Health. Day-to-day operations of SFDF and SADF (as well as EIP and FIS) are administered through various sections of AFCD, i.e. the SFDF Secretariat and the SADF Secretariat which carry out duties specific to the operation of SFDF and SADF, and the Funding Schemes Section which handles financial matters. For 2017-18, the expenditures of the two secretariats and the Funding Schemes Section totalled \$6.16 million. As at 28 February 2019:

- (a) 11 SFDF and 7 SADF projects had been approved with an approved funding of \$59 million and \$82 million respectively; and
- (b) 238 FIS projects and 3 EIP projects had been approved with an approved funding of \$6.9 million and \$18.4 million respectively.

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The Audit Commission (Audit) has recently conducted a review of SFDF and SADF.

Application processing and project monitoring

3. ***Processing of fund applications.*** The SFDF/SADF Secretariat conducts preliminary screening of SFDF/SADF applications and forwards the applications to the relevant units of AFCD for assessment. The relevant advisory committee considers the applications and makes recommendations to the Director of Agriculture, Fisheries and Conservation (para. 2.2):

- (a) ***Long application processing time.*** From 2014 to 2018, the SFDF Secretariat processed 23 SFDF applications. From 2016 to 2018, the SADF Secretariat processed 11 applications. Audit analysed the application processing time (i.e. from the date of submission of an application to the date of approval/rejection) and found that the longest time taken for SFDF applications was 35 months and that for SADF applications was 15 months. In February 2019, AFCD informed Audit that in the last quarter of 2018, it conducted a review of SFDF and SADF (i.e. AFCD review) and made recommendations to improve the administration of SFDF and SADF (including addressing the problem of the long processing time — e.g. through enhancing the supervision of processing applications). AFCD needs to promptly implement the recommendations, and closely monitor the application processing time and take further measures to shorten the processing time where warranted (paras. 2.3, 2.5 and 2.7 to 2.9);

- (b) ***Need to review the EIP application arrangements.*** The EIP provides grants to applicants (i.e. legal entities connected with fisheries industry) for acquiring mechanised fishery equipment and/or materials on behalf of beneficiaries (i.e. individual fishermen and fish farmers). As at 31 December 2018, one EIP project had been approved. Audit found that in the project, individual fishermen had waited 7 months for the approval of the application. If counting from the dates when individual fishermen submitted their applications to the EIP applicant to the date of signing the funding agreement between the EIP applicant and the Government, individual fishermen had waited at least 12 months for the acquisition of the equipment. For FIS (under which applicants may apply directly to AFCD), the waiting time was much shorter. As at 31 December 2018, for the 225 approved FIS applications, individual applicants had waited, on average, less than 60 days for the approval of their applications.

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Furthermore, unlike the EIP applicants, FIS applicants are not required to enter into a funding agreement with the Government (paras. 1.7, 2.10 and 2.11); and

- (c) ***Need to review the administrative charges of EIP projects.*** According to the relevant Financial Circular of the Government, a Controlling Officer has to ensure that administrative charges for a funded government project are reasonable and proportionate to the purpose, scale, nature and circumstances of the particular fund or project. The approved grant for the approved EIP project (see (b) above) was \$7.2 million, which included the EIP applicant's administrative charges of \$1.5 million. The administrative charges amounted to 21% of the approved grant. AFCD needs to keep under review the level of administrative charges imposed by EIP applicants (paras. 2.14 to 2.16).

4. ***Project monitoring.*** SFDF and SADF grantees are required to submit various reports (e.g. progress reports) and financial statements to the secretariats (see para. 2). AFCD staff also conduct inspections on projects (para. 2.19):

- (a) ***Delays in submission of reports and financial statements.*** Audit found that:
- (i) as at 15 January 2019, in 7 of the 10 SFDF approved projects, there were delays in submission of reports and financial statements, averaging 84 days and 107 days respectively (para. 2.21); and
- (ii) in the 3 SFDF projects further examined by Audit, of the 13 reports submitted by the grantees, 9 (69%) were resubmitted at least once. As at 14 February 2019, for some of the 13 reports, long time (i.e. the number of days between the date of acceptance of a report for assessment purpose by the SFDF Secretariat and the date of provision of the report by the SFDF Secretariat (after its assessment) to a working group of the SFDF Advisory Committee for review) had been taken for processing the reports. The time taken ranged from 49 to 311 days (para. 2.22); and
- (b) ***Inadequacies in inspections.*** AFCD staff will complete inspection reports after conducting inspections. Audit examined the inspection records of the

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3 SFDF projects (see (a)(ii) above) and found that some recommendations made by AFCD had not been implemented despite that the same recommendations were made to the grantees in previous inspections. There were no records indicating that AFCD had taken measures to ensure satisfactory implementation of the recommendations by the grantees (paras. 2.25 and 2.26).

5. *Use of funds by grantees.* According to the funding agreements, grantees have to observe the requirements for the use of grants (para. 2.32):

- (a) *Need to purchase the mandatory insurances.* Audit examined the 3 SFDF projects (see para. 4(a)(ii)) and found that in a project, up to 31 January 2019 (34 months after the project commencement date), none of the mandatory insurances (i.e. employees' compensation insurance, public liability insurance and insurance for collateral) had been purchased by the grantee for the project (paras. 2.34 and 2.35); and
- (b) *Need to observe the procurement requirements.* In examining the 3 SFDF projects, Audit found that for 6 project items each with a value over \$50,000 but not exceeding \$1.4 million, the requirement of obtaining at least 5 written quotations had not been observed by the grantees (para. 2.37).

Achievement of fund objectives

6. *Disbursement of funds to worthwhile projects.* In seeking approval to set up SFDF and SADF, the Government informed the Finance Committee of the Legislative Council that for planning and budgetary purpose, the estimated cash outflows (i.e. disbursement) of SFDF was \$50 million annually from 2014-15 to 2023-24. For SADF, the planned annual disbursement was \$100 million for 2017-18 and 2018-19, and \$50 million from 2019-20 to 2024-25 (para. 3.4):

- (a) *Slow pace of fund disbursement.* Audit found that the actual disbursement of funds amounted to only a small portion of the planned disbursement. For SFDF, in 2014-15 to 2018-19 (up to 31 December 2018), the portion ranged from 0% to 22.6%. For SADF, in 2017-18 and 2018-19 (up to 31 December 2018), the portions were 2.7% and 6.7% respectively (para. 3.6);

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- (b) ***Decreasing number of fund applications.*** Audit noted that the number of fund applications submitted to AFCD had generally decreased over the years: (i) the number of SFDF applications decreased from 15 in 2014 to 3 in 2018; (ii) the number of SADF applications decreased from 20 in 2017 to 13 in 2018; and (iii) the number of applications for FIS decreased from 172 in 2017 to 66 in 2018 (para. 3.9);
- (c) ***Many fund applications rejected.*** Fund applications were assessed against a set of eligibility criteria, and were considered by the SFDF/SADF Advisory Committee. Audit noted that as at 31 December 2018, 41% of SFDF applications and 12% of SADF applications had been rejected for various reasons (e.g. failure in meeting the fund objectives). The high rejection rates indicated that many proposed projects did not meet the assessment criteria, and that they were not considered to be worthwhile projects. AFCD needs to better help the agricultural/fisheries sectors to devise good proposals of projects worthy of funding support (paras. 3.12, 3.13 and 3.15); and
- (d) ***Need to take effective measures to increase the number of fund applications.*** In the AFCD review (see para. 3(a)), AFCD concluded that there was a need for improvement in the publicity of funds and in fund applications. Upon enquiry, AFCD informed Audit in February 2019 that specific measures for improving publicity and fund applications had been endorsed by the SFDF Advisory Committee and the SADF Advisory Committee (paras. 3.16 and 3.17).
7. ***Evaluation of project achievements.*** As at 31 December 2018, 2 projects had been completed under SFDF. It was AFCD's requirement that a grantee should submit a final report within 4 months after the completion of a project. Audit noted that, while the 2 projects were completed in January and April 2018 respectively, AFCD had not completed the review of the final reports of the 2 projects as at 31 December 2018. Audit also noted that AFCD records did not indicate that AFCD had any plans for reviewing the overall achievements of SFDF, SADF and their subsidiary programmes (i.e. EIP and FIS) vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path (paras. 3.20 and 3.22).

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Governance issues

8. *Members' attendance at meetings.* Two advisory committees and two working groups have been established for administering SFDF and SADF (para. 4.2). Audit noted that:

- (a) *Decreased attendance at committee meetings.* For the SFDF Advisory Committee, the proportion of members attending committee meetings (i.e. the attendance rate) decreased from 79% in 2014 to 63% in 2018. For the SADF Advisory Committee, the attendance rate decreased from 82% in 2016 to 75% in 2018 (para. 4.4); and
- (b) *Need to improve attendance of individual members.* In each of the years between 2014 and 2018, some members (ranging from 1 to 5 members) attended less than half of the meetings of their responsible committees. Of these members, two were re-appointed in 2017 upon completion of their three-year term (i.e. for 2014 to 2017) (paras. 4.6 and 4.10).

9. *Management of potential conflicts of interest.* AFCD adopts a two-tier declaration system for managing committee members' potential conflicts of interest. In the first-tier declaration, the chairman and members shall register in writing their personal interests when they first join the committee, and annually thereafter, to the secretary of the committee (i.e. the SFDF/SADF Secretariat — see para. 2) on standard forms. In the second-tier declaration, members are required to report any conflicts of interest as and when they arise (para. 4.16):

- (a) *Scope for improving first-tier declarations.* Audit reviewed the first-tier declaration forms submitted by committee members from 2014 to 2018 and found that (para. 4.18):
 - (i) *First-tier declarations not made.* Every year, the secretariats of the two funds distributed first-tier declaration forms to committee members for completion. However, the SFDF Secretariat had not done so for 2016. In the event, none of the members of the SFDF Advisory Committee made any first-tier declaration for the year (para. 4.18(a));

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- (ii) ***Outstanding declarations not followed up.*** In 2018, two members of the SFDF Advisory Committee did not complete and return the first-tier declaration forms. However, the SFDF Secretariat did not follow up the non-submission (para. 4.18(b)); and
 - (iii) ***Declarations might not be entirely complete.*** In two cases, committee members might not have provided complete information about their interests in making first-tier declarations, i.e. about the fact that they were chairpersons or director of fisheries organisations (para. 4.18(c)); and
- (b) ***Need to make rulings on interests declared and record in minutes of meetings.*** Under the AFCD's declaration system, the chairman is required to make rulings on conflicts of interest declared by members in meetings, i.e. the chairman needs to decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting. Audit noted that, in respect of the 23 SFDF Advisory Committee/working group meetings held from 2014 to 2018, there was room for improvement in the documentation of the rulings on interests declared in the minutes of meetings (paras. 4.21 and 4.22), as follows:
- (i) in 7 (30% of 23) meetings, the minutes of meetings did not indicate that the chairmen had made rulings after members making declarations of conflicts of interest (para. 4.22(a)); and
 - (ii) in 3 (13% of 23) meetings, the minutes of meetings indicated that several members had declared conflicts of interest. The chairmen requested members in the meetings to take note of the interests declared by these several members. Nevertheless, the minutes did not indicate that the chairmen had made rulings on the interests declared. The fact that the chairmen only requested members to take note of the interests declared might not be fully in compliance with the requirement of AFCD's declaration system (para. 4.22(b)).
10. ***Other areas for improvement on procedures for meetings.*** In January 2017, the Treasury issued a Fund Management Guide. According to the Guide, members of governing boards/committees should be provided with the agenda and discussion papers of a meeting in good time (normally not less than five working

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days before the meeting), and after each meeting, the minutes should be promptly prepared and circulated for members' comments and agreement (para. 4.25):

- (a) *Need to regularise distribution of papers relating to meetings.* For the 28 meetings of committees and working groups held from 2014 to 2018, Audit found that the agendas (accompanied by discussion papers — hereinafter agendas include discussion papers) and draft minutes were not always distributed in a timely manner. For example, for 3 of the 28 meetings, the agendas were only distributed less than five days before the meetings. In one extreme case, the draft minutes of a working group meeting were distributed 102 days after the meeting. Audit noted that AFCD had not laid down any guidelines on the distribution of agendas and minutes of meetings (paras. 4.26 and 4.27); and
- (b) *Need to record more clearly the results of voting in minutes of meetings.* Audit reviewed the minutes of the 28 meetings and found that, in one committee meeting held in March 2015, the total number of members who voted/abstained from voting in the meeting was less than the number of members who attended the meeting (para. 4.29).

Audit recommendations

11. **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 Director of Agriculture, Fisheries and Conservation should:**

Application processing and project monitoring

- (a) **promptly implement the recommendations of the AFCD review (paras. 2.17(a) and (d) and 2.38(a) and (c));**
- (b) **closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time (para. 2.17(b));**
- (c) **keep under review the need to take further measures to improve the EIP application arrangements (para. 2.17(c));**

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- (d) **consider setting guidelines on administrative charges imposed by EIP project applicants, and keep under review the level of administrative charges (para. 2.17(e) and (f));**
- (e) **closely monitor the timeliness of submission of reports and financial statements by SFDF grantees (para. 2.38(b));**
- (f) **ensure that applicable recommendations for the monitoring of SFDF projects are also implemented for SADF projects (para. 2.38(d));**
- (g) **take immediate measures to rectify the anomalous case in which the grantee has not purchased any of the insurances required by the funding agreement, and ensure that there is no recurrence of such cases in future (para. 2.38(f) and (g));**
- (h) **take measures to ensure that procurements made by grantees comply with the requirements of the funding agreements, and that in circumstances where written quotations cannot be obtained, prior approval from the Director of Agriculture, Fisheries and Conservation for adopting other procurement practices are obtained by grantees (para. 2.38(j));**

Achievement of fund objectives

- (i) **make better effort to encourage and facilitate the agriculture and fisheries industries to make good use of SADF and SFDF in implementing projects which contribute towards the sustainable development of the industries (para. 3.18(a));**
- (j) **ensure that effective measures are promptly implemented to enhance the publicity of SFDF and SADF, and to facilitate applicants to apply for funding under SFDF and SADF (para. 3.18(b));**
- (k) **expedite the review of the two completed SFDF projects (para. 3.23(a));**
- (l) **consider the need to evaluate the overall achievements of SFDF, SADF and their subsidiary programmes vis-à-vis the overall objective of**

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putting the development of the agriculture and fisheries industries on a sustainable path (para. 3.23(b));

Governance issues

- (m) **closely monitor the trend of attendance rates of committee members and take remedial measures as appropriate (para. 4.12);**
 - (n) **ensure that first-tier declaration forms are always sent to committee members for their completion every year, and take measures to follow up with the members concerned if they have not submitted their first-tier declaration forms (para. 4.23(a) and (b));**
 - (o) **take measures to facilitate committee members to fully declare their interests (para. 4.23(c));**
 - (p) **regularly remind the committee chairmen of the need to make rulings on interests declared by members at the meetings, and document the rulings made in the minutes of the meetings so as to enhance transparency and accountability (para. 4.23(d));**
 - (q) **consider laying down guidelines on the distribution of agendas (and discussion papers) and draft minutes of meetings (para. 4.31(a)); and**
 - (r) **ensure that proceedings of meetings are accurately and completely recorded in minutes of meetings (para. 4.31(b)).**
12. **Audit has *recommended* that the Secretary for Food and Health should, in re-appointing members to serve on committees of SFDF and SADF, give due consideration to members' past attendance at meetings, and for members who had difficulties in attending meetings and whose re-appointments are essential, take measures to encourage them to attend meetings in future (para. 4.13).**

Response from the Government

13. The Secretary for Food and Health and the Director of Agriculture, Fisheries and Conservation generally accept the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objective and scope.

Background

1.2 According to Hong Kong Yearbook 2017, in 2017, the agriculture and fisheries industries employed a total of some 18,000 people. In 2017, the percentages of all foods consumed in Hong Kong provided by local agriculture and fisheries industries were:

- (a) ***Agriculture industry.*** Local farms provided about 99% of live poultry, 7% of live pigs and 2% of vegetables; and
- (b) ***Fisheries industry.*** The industry, comprising capture fisheries and aquaculture fisheries, provided about 20% of seafood and 4% of freshwater fish.

1.3 According to the Government, the agriculture and fisheries industries have been facing various challenges including:

- (a) many local farmers have been cultivating their crops in a traditional manner as their forefathers did, with limited application of modern agro-technology and mechanisation in production, and sub-optimal efficiency; and
- (b) local fishermen have been facing declining fisheries resources, rising operating costs (e.g. fuel prices) and increasing competition from non-local fishing vessels.

Nevertheless, the Government considers that local agriculture and fisheries industries can achieve more, provided they move towards high-tech, diversified and sustainable development.

Introduction

Establishment of sustainable agricultural and fisheries development funds

1.4 Against the above background and to put the development of the agriculture and fisheries industries on a sustainable path, two funds, namely the Sustainable Fisheries Development Fund (SFDF) and the Sustainable Agricultural Development Fund (SADF), were established in 2014 and 2016 respectively:

- (a) **SFDF.** In the 2013 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region announced that a \$500 million SFDF was to be set up. In January 2014, with the support of the Food and Health Bureau (FHB), the Agriculture, Fisheries and Conservation Department (AFCD) obtained the approval of the Finance Committee of the Legislative Council (LegCo) for creating the \$500 million commitment for SFDF. In July 2014, SFDF was established; and
- (b) **SADF.** In the 2016 Policy Address, the Chief Executive announced that a \$500 million SADF was to be set up. In April 2016, with the support of the FHB, AFCD obtained the approval of the Finance Committee of LegCo for creating the \$500 million commitment for SADF. In December 2016, SADF was established.

1.5 AFCD is the department responsible for administering SFDF and SADF (Note 1). The salient features of the two funds are shown in Table 1.

Note 1: *According to AFCD, it provides services to secure orderly and efficient production and marketing of agricultural and fishery produce; enforce regulations on plants, pesticides and animal controls; and conserve natural environment and safeguard the ecological integrity. In addition, it also administers SFDF and SADF.*

Table 1

SFDF and SADF

	SFDF	SADF
Objective	Supports sustainable development and improves competitiveness of the local fisheries industry	Provides financial support to facilitate the development of modern and sustainable agriculture in Hong Kong
Projects to be supported (general principles)	<ul style="list-style-type: none"> • Projects should contribute in a direct and practical way towards the sustainable development of the local agriculture and fisheries industries • Research or theoretical studies without a demonstrated relevance to the local agriculture and fisheries industries will not be considered 	
Projects to be supported (specific)	<p>Projects which assist the local fisheries community to rise to the challenges on the horizon, with a view to enabling the fisheries industry to develop or switch to a sustainable or high value-added mode of operation, as well as enhancing the overall competitiveness of the fisheries industry. Such projects may include those that:</p> <ul style="list-style-type: none"> • explore new opportunities in the South China Sea; and • develop sustainable practices for fishing operations in Hong Kong waters. 	<p>Projects which assist the local agricultural community to rise to the challenges on the horizon, with a view to enabling the agriculture industry to enhance their productivity and output or switch to a sustainable or high value-added mode of operation, as well as facilitating the modernisation and enhancing the overall competitiveness of the agriculture industry. Such projects may include:</p> <ul style="list-style-type: none"> • direct grants to farmers for mechanising and modernising their farming equipment and materials; and • other one-off projects consistent with the objective of SADF (e.g. projects for strengthening marketing and branding of local agricultural produce, and those for facilitating transfer of knowledge).

Introduction

Table 1 (Cont'd)

	SFDF	SADF
Eligible applicants	<ul style="list-style-type: none"> • Legal entities (Note) that have demonstrated a close connection with the fisheries (for SFDF)/agriculture (for SADF) industry in Hong Kong (e.g. non-profit-making fisheries/agricultural organisations and non-governmental organisations (NGOs)) • Academic and research institutions in Hong Kong 	
Project funding limit	No project funding limit	
Authority for approving funds	<ul style="list-style-type: none"> • For a grant not exceeding \$15 million: the Director of Agriculture, Fisheries and Conservation (for simplicity, hereinafter refer to as the Director unless otherwise stated) based on the recommendations of the SFDF Advisory Committee (see para. 1.9) or the SADF Advisory Committee (see para. 1.10) • For a grant exceeding \$15 million: the Finance Committee of LegCo based on the recommendations of the SFDF Advisory Committee or the SADF Advisory Committee 	
Project duration	No specified duration (see also Table 3 in para. 1.15(a))	
Contractual obligations	Successful applicants are required to enter into funding agreements with the Government, which lay down detailed conditions for the grants (including the need for meeting reporting requirements such as the submission of progress reports, final reports and audited financial statements)	

Source: AFCD records

Note: The legal entity should be a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622) and has substantial connection to Hong Kong or a body corporate incorporated in Hong Kong under other ordinances of the Hong Kong Special Administrative Region.

Subsidiary funding programmes set up under SFDF and SADF

1.6 In addition to SFDF and SADF, AFCD has also set up two subsidiary funding programmes to facilitate farmers, fishermen and fish farmers to acquire equipment and related materials to improve productivity and enhance sustainability:

- (a) *Farm Improvement Scheme (FIS)*. FIS was set up under SADF in December 2016; and
- (b) *Equipment Improvement Project (EIP)*. EIP was set up under SFDF in December 2017.

1.7 The salient features of FIS and EIP are shown in Table 2.

Table 2

FIS and EIP

	FIS	EIP
Objective	Provide direct grants to applicants for acquiring mechanised farming (for SADF)/fishery (for SFDF) equipment and/or materials (e.g. pest exclusion net and pump), which would promote the sustainable development and modernisation of the sectors	
Eligible applicants	<ul style="list-style-type: none"> • Hong Kong residents or companies/organisations registered in Hong Kong, and are operating a crop farm engaged in commercial production of not less than 1 “dau chung” (i.e. 7,260 square feet) • Licensed livestock farms in Hong Kong 	<ul style="list-style-type: none"> • Legal entities (see Note to Table 1 in para. 1.5) that have demonstrated a close connection with the fisheries industry in Hong Kong (e.g. non-profit-making fisheries organisations and NGOs)
Beneficiaries	The applicant is also the beneficiary of the grant	An applicant (a legal entity connected with the fisheries industry) may apply for grants on behalf of a number of beneficiaries (i.e. individual fishermen and fish farmers) (Note 1)
	An applicant can only apply once for funding	A beneficiary is eligible once for the grant
Funding limit	<ul style="list-style-type: none"> • Up to 80% of the cost of each piece of eligible equipment and/or materials purchased (up to a maximum grant of \$30,000 for each applicant) 	<ul style="list-style-type: none"> • Up to 80% of the cost of each piece of eligible equipment and/or materials purchased (up to a maximum grant of \$30,000 for each beneficiary)

Table 2 (Cont'd)

	FIS	EIP
Funding limit (cont'd)		<ul style="list-style-type: none"> • Maximum funding for an application: <ul style="list-style-type: none"> — \$6 million (i.e. maximum of 200 beneficiaries with \$30,000 per beneficiary) for the grant — \$1.5 million for administrative charges (charged by the applicant)
Authority for approving funds	The Assistant Director (Agriculture) of AFCD	The Director upon advice of the SFDF Advisory Committee (Note 2)
Contractual obligations	Not applicable	Successful applicants are required to enter into funding agreements with the Government, which lay down detailed conditions for the grants (e.g. provision of quotations for the purchase of the equipment to AFCD)

Source: AFCD records

Note 1: Individual fishermen and fish farmers are not eligible for applying for EIP grants as they are not legal entities.

Note 2: As the applicant applies for the EIP grant on behalf of a number of beneficiaries, the application is submitted for the endorsement of the SFDF Advisory Committee and the applicant is required to enter into a funding agreement with the Government.

Introduction

Administration of SFDF and SADF

1.8 In administering SFDF (including EIP) and SADF (including FIS), two advisory committees, i.e. the SFDF Advisory Committee and the SADF Advisory Committee, have been set up to advise the Director.

1.9 The SFDF Advisory Committee has 16 members (including the chairman), comprising 14 non-official members (e.g. representatives of the trade, academics, conservationists and professionals) and 2 official members (i.e. the Secretary for Food and Health and the Director, or their representatives).

1.10 The SADF Advisory Committee has 17 members (including the chairman), comprising 15 non-official members (e.g. representatives of the trade, academics and professionals) and 2 official members (i.e. the Secretary for Food and Health and the Director, or their representatives).

1.11 Members of the SFDF Advisory Committee and the SADF Advisory Committee are appointed by the Secretary for Food and Health on a term of three years and are eligible for re-appointment.

1.12 The terms of reference of the SFDF Advisory Committee and the SADF Advisory Committee are:

- (a) to advise the Director on the overall strategy for funding projects and the relative priorities of applications for funding support;
- (b) to make recommendations to the Director on matters relating to applications for funding support (e.g. procedures for assessing applications and follow-up actions in respect of any non-compliance of a funded project);
and

- (c) to consider applications, establish vetting committees (Note 2) for vetting applications (if necessary) and advise on other matters as referred to by the Director.

1.13 Day-to-day operations of SFDF and SADF (and the subsidiary programmes, i.e. EIP and FIS) are administered through various sections of AFCD:

- (a) ***Fund secretariats.*** An SFDF Secretariat and an SADF Secretariat have been set up within the Fisheries Supporting Services Division of AFCD's Fisheries Branch and the Extension and Funds Division of AFCD's Agriculture Branch respectively (see Appendix A) to carry out duties specific to the operation of SFDF and SADF, such as:
 - (i) initial screening of fund applications;
 - (ii) communicating with applicants;
 - (iii) coordinating assessments of applications and compiling summaries of assessment results for consideration by the relevant advisory committees (i.e. the SFDF Advisory Committee or the SADF Advisory Committee); and
 - (iv) coordinating the review of progress reports, annual reports and final reports of funded projects and compiling summaries for consideration by the SFDF Advisory Committee or the SADF Advisory Committee.

As at 28 February 2019, the SFDF Secretariat had 5 staff (i.e. 1 Fisheries Officer, 1 Executive Officer II, 1 Fisheries Supervisor II and 2 contract Field Inspectors) and the SADF Secretariat had 8 staff (i.e. 1 contract Agricultural Management Officer, 1 Executive Officer II, 1 contract Field Supervisor, 1 Field Officer I, 1 Field Officer II and 3 contract Field Officers); and

Note 2: *Two vetting committees, known as working groups, have been established under the SFDF Advisory Committee. Members of the SFDF Advisory Committee who are interested in the work of the working groups may volunteer to join the groups.*

Introduction

- (b) ***Funding Schemes Section.*** A Funding Schemes Section has been set up within AFCD's Accounts and Supplies Division (see Appendix A) to handle specifically financial matters of SFDF and SADF, such as:
- (i) vetting project budgets submitted by applicants;
 - (ii) reviewing audited accounts of projects; and
 - (iii) disbursing project funds.

As at 28 February 2019, the Funding Schemes Section had 4 staff, comprising 1 Treasury Accountant, 1 contract Accounting Manager, 1 Accounting Officer and 1 Assistant Clerical Officer.

1.14 For 2017-18, the expenditures of the two secretariats and the Funding Schemes Section totalled \$6.16 million.

Approved projects of SFDF and SADF

1.15 As at 28 February 2019:

- (a) 11 SFDF and 7 SADF projects had been approved (see Table 3). Photograph 1 shows a project funded by SFDF; and

Table 3

**Approved projects of SFDF and SADF
(28 February 2019)**

	SFDF	SADF
Date of establishment	July 2014	December 2016
Number of applications received	33	34
Number of projects approved	11 (see Appendix B for a list of approved projects)	7 (see Appendix C for a list of approved projects)
Total amount of approved funding	\$59 million	\$82 million
Approved funding per project	\$2.3 million to \$10.5 million	\$2.8 million to \$15 million
Duration of approved projects (months)	24 to 87	24 to 48
Types of approved projects	<ul style="list-style-type: none"> • Aquaculture • Recreational fishing/training • Oyster culture • Accreditation and marketing of organic fish products • Aquatic animal veterinary services • Aquaculture (advertisement and promotion) 	<ul style="list-style-type: none"> • Research and development of new agricultural products (e.g. sustainable organic fertilisers for output maximisation) • Certification of local organic farms • Promotion of local organic agriculture • Support for the local crop industry • Development of the local pig and poultry farming industry • Technology demonstration project
Payment of grants	Paid in accordance with the payment schedules set out in the funding agreements, on condition that the projects had met the prescribed milestones and AFCD was satisfied with their progress	
Number of projects completed	2	Nil

Source: Audit analysis of AFCD records

Photograph 1

An aquaculture project funded by SFDF



Source: AFCD records

- (b) 238 FIS and 3 EIP projects had been approved (see Table 4). Photographs 2 and 3 show examples of the equipment approved under FIS and EIP respectively.

Table 4

**Approved projects of FIS and EIP
(28 February 2019)**

	FIS	EIP
Date of establishment	December 2016	December 2017
Number of applications received	247	7
Number of projects approved	238	3
Number of beneficiaries under the approved projects	238	523
Total amount of approved funding	\$6.9 million	\$18.4 million
Approved funding per project	\$5,600 to \$30,000	\$4 million to \$7.2 million
Payment of grants	Paid to the applicant, who was also the beneficiary (i.e. the farmer)	Paid to the applicant, who distributes the equipment to beneficiaries (i.e. individual fishermen or fish farmers)
Number of projects completed	158	Nil

Source: Audit analysis of AFCD records

Introduction

Photograph 2

**Agricultural equipment approved under FIS
(A tiller for loosening the soils before cultivation)**



Source: Photograph taken by Audit staff in December 2018

Photograph 3

**Fisheries equipment approved under EIP
(A bird netting for keeping birds
away from fish ponds)**



Source: AFCD records

Audit review

1.16 In October 2018, the Audit Commission (Audit) commenced a review of SFDF and SADF. The audit review (Note 3) has focused on the following areas:

- (a) application processing and project monitoring (PART 2);
- (b) achievement of fund objectives (PART 3); and
- (c) governance issues (PART 4).

Audit has found room for improvement in the above areas and has made recommendations to address the issues.

Acknowledgement

1.17 Audit would like to acknowledge with gratitude the full cooperation of the staff of AFCD during the course of the audit review.

Note 3: *In this audit review, in addition to analytical reviews, Audit examined: (a) 10 SFDF applications (3 approved applications, 3 rejected applications, 1 withdrawn application (i.e. withdrawn by the applicant) and 3 applications under processing); (b) 10 SADF applications (3 approved applications, 3 rejected applications, 1 withdrawn application and 3 applications under processing); (c) 2 EIP applications (1 approved application and 1 application under processing); and (d) 30 FIS applications (25 approved applications, 3 rejected applications and 2 withdrawn applications).*

PART 2: APPLICATION PROCESSING AND PROJECT MONITORING

2.1 This PART examines application processing and project monitoring, focusing on the following issues:

- (a) processing of fund applications (paras. 2.2 to 2.18); and
- (b) project monitoring (paras. 2.19 to 2.40).

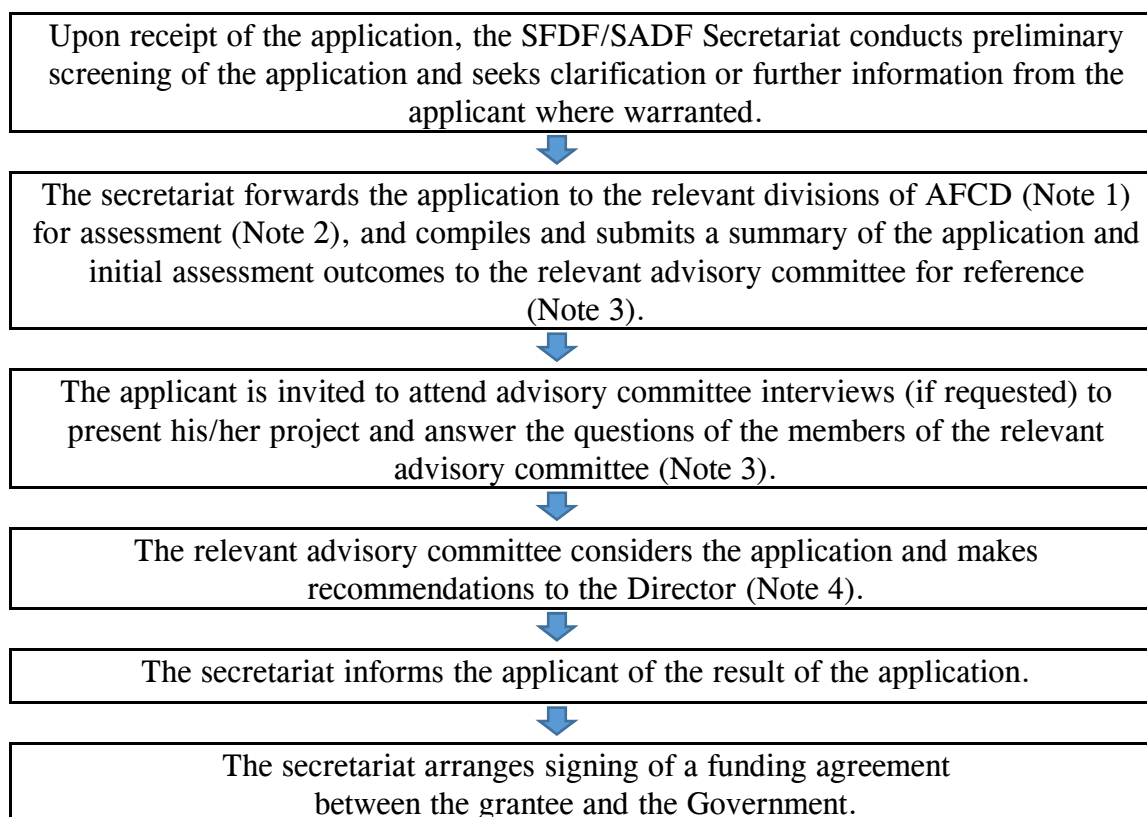
Processing of fund applications

2.2 The procedures for processing an SFDF/SADF application are shown in Figure 1.

Application processing and project monitoring

Figure 1

Procedures for processing an SFDF/SADF application



Source: *Audit analysis of AFCD records*

Note 1: The Funding Schemes Section under AFCD's Accounts and Supplies Division (see para. 1.13(b)) conducts financial assessment of the application while AFCD's technical divisions conduct technical assessments. The technical divisions comprise: (a) for SFDF, the Aquaculture Fisheries Division, the Fisheries Management Division and the Fisheries Supporting Services Division under the Fisheries Branch; and (b) for SADF, the Crop Development Division and the Farm Development Division under the Agriculture Branch, and the Animal Health Division under the Inspection and Quarantine Branch (see Appendix A).

Note 2: The assessment criteria include: (a) project needs (e.g. whether the project is innovative); (b) project feasibility (e.g. whether the project has attainable targets); and (c) expected project outcomes (e.g. whether the project has the potential for self-sufficiency).

Note 3: Two working groups (see Note 2 to para. 1.12(c)) have been established under the SFDF Advisory Committee. SFDF applications are first handled by one of the working groups. The working group that handles the application vets the applications, interviews the applicants (if necessary), and puts forward recommendations on the project proposals for consideration by the SFDF Advisory Committee.

Note 4: The approving authorities for a grant not exceeding \$15 million and a grant exceeding \$15 million are the Director and the Finance Committee of LegCo respectively.

Application processing and project monitoring

Long application processing time

2.3 From July 2014 (commencement of SFDF) to December 2018, the SFDF Secretariat processed 23 SFDF applications. From December 2016 (commencement of SADF) to December 2018, the SADF Secretariat processed 11 applications. Audit analysed the application processing time and found that the time taken for processing some applications was long (e.g. over 30 months — see Table 5).

Table 5
Time taken for processing applications
(July 2014 to December 2018)

	Number of projects				
	5 to 10 months (a)	Over 10 to 20 months (b)	Over 20 to 30 months (c)	Over 30 months (d)	Total (e) = (a) + (b) + (c) + (d)
<i>SFDF (from July 2014 to December 2018)</i>					
Approved projects	5	3	1	1 (Note 1)	10
Rejected projects	3	5	3	2	13
Total	8	8	4	3	23
<i>SADF (from December 2016 to December 2018)</i>					
Approved projects	0	7 (Note 2)	N.A. (SADF was established in 2016)		7
Rejected projects	0	4			4
Total	0	11			11

Source: Audit analysis of AFCD records

Note 1: The longest time taken was 35 months.

Note 2: The longest time taken was 15 months.

Remarks: “Time taken” in processing the application of an approved/rejected project refers to the period of time from the date of submission of the application to the date of approval/rejection.

Application processing and project monitoring

2.4 Long application processing time is not conducive to early commencement of projects. The earlier a project could be started, the earlier the benefits of the project could be reaped.

2.5 In February 2019, AFCD informed Audit that in the last quarter of 2018, AFCD conducted a review of SFDF and SADF (hereinafter collectively referred to as the AFCD review) and made recommendations to improve the administration of SFDF and SADF. In late January 2019, the recommendations had been submitted to the SFDF Advisory Committee and the SADF Advisory Committee for their deliberations.

2.6 In the AFCD review, AFCD noted that the processing time for SFDF applications was long. According to AFCD, the major reasons for the long processing time were:

- (a) it might take a longer period of time to prepare assessment summaries for some applications due to the more complex technical or accounting arrangements of the applications, resulting in the need to conduct careful analysis of the applications or to require the applicants to provide more technical information and invite experts to make third-party project assessments;
- (b) a long time was taken to prepare the assessment summaries due to engagements in other tasks requiring urgent attention; and
- (c) the information provided by applicants in their applications was very often inadequate for vetting purpose. In addition, during the course of assessments, members of the SFDF Advisory Committee would often raise questions concerning the applications, necessitating extra time for submission of supplementary information from applicants.

2.7 To address the problem of the long processing time for SFDF applications, AFCD made the following recommendations:

Application processing and project monitoring

- (a) strictly adhering to the work flow (Note 4) for processing applications;
- (b) enhancing the supervision of processing applications, and specifying guidelines for processing late submission of supplementary information by applicants;
- (c) arranging interviews with applicants to explain the required supplementary information if the information required is complicated or a large volume of information is required;
- (d) taking measures to enhance the quality of applications submitted by applicants so as to reduce processing time, such as enhancing the promotion and support to applicants and simplifying the application form;
- (e) fully communicating with applicants and informing them the progress of approving those applications, which require a longer period of time for financial and technical assessments; and
- (f) requesting applicants to provide specific and clear information upon submission of applications, and attempting to limit the number of requests for supplementary information within two times.

2.8 In respect of SADF applications, AFCD recommended that prior to the SADF Advisory Committee meetings, the SADF Secretariat would continue to circulate initial assessment results to committee members for comments, and request the members to write down any further questions for applicants. Furthermore, AFCD would hold briefing sessions for applicants and the members, so that applicants could directly respond to the members' queries.

2.9 In March 2019, AFCD informed Audit that:

Note 4: *The work flow was introduced by AFCD after an internal review conducted in 2017 with a view to streamlining the procedures and shortening the time for processing applications.*

Application processing and project monitoring

- (a) the SFDF Advisory Committee and the SADF Advisory Committee had endorsed all the recommendations; and
- (b) the SFDF Secretariat and the SADF Secretariat had already started implementing the recommendations by stages.

Audit considers that AFCD needs to promptly implement the recommendations endorsed by the SFDF Advisory Committee and the SADF Advisory Committee. It also needs to closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time where warranted.

Issues relating to application for EIP funds

2.10 The EIP provides direct grants to EIP applicants for acquiring mechanised fishery equipment and/or materials on behalf of beneficiaries (see Table 2 in para. 1.7).

2.11 ***Need to review the EIP application arrangements.*** As at 31 December 2018 (the time of audit fieldwork), only one EIP project was approved. Audit examined the EIP project and found that there is scope for improving the application arrangements (see Case 1).

Case 1

An approved EIP project (as at 31 December 2018)

1. The timeline relating to the EIP project application (with an approved grant of \$7.2 million) was as follows:

Date	Event
8 January to 25 January 2018	The EIP applicant received 200 applications from individual fishermen (i.e. the beneficiaries).
3 April 2018	The EIP applicant submitted the application to AFCD.
May to September 2018	AFCD made requests to the EIP applicant for supplementary information (e.g. information on different quotations obtained by the fishermen on the same equipment, and the basis for the estimated expenses shown in the budget).
26 October 2018	The SFDF Advisory Committee recommended the project for the approval of the Director.
1 November 2018	The Director approved the project.
16 November 2018	AFCD issued the letter of approval to the EIP applicant.
4 February 2019	The funding agreement between the EIP applicant and the Government was signed.

Audit comments

2. It was undesirable that for this EIP project application, which was an application of simple nature (i.e. for procurement of equipment for individual fishermen), individual fishermen had waited 7 months (from the date of submission of the application in April 2018 to the date of approval of the application in November 2018) for the approval of the application. If counting from the dates when individual fishermen submitted their applications to the EIP applicant (in January 2018) to the date of signing the funding agreement between the EIP applicant and the Government (in February 2019), individual fishermen had waited at least 12 months for the procurement.

Case 1 (Cont'd)

3. Audit noted that, in fact, there were concerns about the application arrangements for EIP projects:

- (a) in September 2017, in consulting the Department of Justice (DoJ) on the drafting of funding agreements for EIP projects, DoJ suggested AFCD to make reference to the FIS (see Table 2 in para. 1.7) in which the funding arrangements were more straightforward as farmers or co-operative societies could directly submit applications to AFCD (Note 1). DoJ considered AFCD could adopt a standardised administration or monitoring over individual beneficiaries;
- (b) at an SFDF Advisory Committee meeting held in October 2018, a committee member stated that the complicated EIP application arrangements had affected EIP applicants' intention to apply for EIP funds; and
- (c) in January 2019, a fisherman telephoned the government hotline 1823 (Note 2) saying that he had provided the information required to an EIP applicant in May 2018. Nevertheless, up to January 2019, he had not heard from the EIP applicant.

Source: Audit analysis of AFCD records

Note 1: For EIP projects, beneficiaries (i.e. individual fishermen and fish farmers) need to submit individual applications to an EIP applicant (a legal entity connected with the fisheries industry) who then submits a consolidated application to AFCD. As at 31 December 2018, for the 225 approved FIS applications, which were for procurement of equipment for applicants such as farmers (see Table 2 in para. 1.7), individual applicants had waited, on average, less than 60 days (from the date of submission of an application to the date of approval of the application) for the approval of their applications. Furthermore, unlike the EIP applicants, FIS applicants are not required to enter into a funding agreement with the Government.

Note 2: 1823 hotline provides a round-the-clock one-stop service to answer public enquiries for 22 government departments and to receive complaints about any areas of government services.

Application processing and project monitoring

- 2.12 In March 2019, AFCD informed Audit that:
- (a) a recommendation had been made in October 2018 to shorten the processing time of EIP applications by enabling the SFDF Advisory Committee to vet the applications through circulation of application information instead of discussing the information at meetings. The recommendation had been endorsed by the Committee and implemented; and
 - (b) in the paper submitted to the Finance Committee of LegCo seeking approval for the establishment of the SFDF (see para. 1.4(a)), it was stated that SFDF applicants must be legal entities. As such, applicants of the EIP (which was established under the SFDF) must also be legal entities (see Table 2 in para. 1.7). Individual fishermen and fish farmers therefore could not apply under EIP themselves.

2.13 To benefit fishermen and fish farmers in a more efficient manner, Audit considers that AFCD needs to keep under review the need to take further measures to improve the EIP application arrangements including, for example, reviewing whether the existing arrangements could be simplified taking into account the fact that FIS, which has the same nature as EIP, allows farmers to submit applications directly to AFCD (see also Note 1 to para. 3(a) in Case 1 in para. 2.11).

2.14 *Need to review the administrative charges of EIP projects.* According to the relevant Financial Circular of the Government, a Controlling Officer has to ensure that administrative charges for a funded government project are reasonable and proportionate to the purpose, scale, nature and circumstances of the particular fund or project.

2.15 Under EIP, the maximum funding for each EIP application is \$7.5 million, including \$6 million funding for a maximum of 200 beneficiaries (i.e. a maximum of \$30,000 per beneficiary) as well as \$1.5 million for administrative charges. The approved grant for the approved EIP project (mentioned in Case 1 in para. 2.11) was \$7.2 million, which included the applicant's administrative charges of \$1.5 million. The administrative charges amounted to 21 % of the approved grant.

2.16 Audit noted that, in the AFCD review (see para. 2.5), recommendation (which had been endorsed by the SFDF Advisory Committee — see para. 2.9(a)) had been made to increase the maximum number of beneficiaries in each EIP application so as to reduce the overall administrative charges of an EIP application. Audit considers that AFCD needs to keep under review the level of administrative charges imposed by EIP applicants and take further measures to contain the administrative charges so as to ensure their reasonableness.

Audit recommendations

2.17 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **promptly implement the recommendations of the AFCD review relating to processing of SFDF and SADF applications (see paras. 2.7 and 2.8);**
- (b) **closely monitor the application processing time for SFDF and SADF and take further measures to shorten the processing time;**
- (c) **keep under review the need to take further measures to improve the EIP application arrangements;**
- (d) **promptly implement the recommendation in the AFCD review relating to the imposition of administrative charges for EIP projects (see para. 2.16);**
- (e) **consider setting guidelines on administrative charges imposed by EIP project applicants; and**
- (f) **keep under review the level of administrative charges imposed by EIP applicants and devise further measures to contain the administrative charges so as to ensure their reasonableness where necessary.**

Response from the Government

2.18 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report; and
- (b) the \$1.5 million mentioned in paragraph 2.15 is a ceiling of administrative charges for an EIP project. AFCD would only approve the administrative charges proposed if the applicant provides sufficient justifications. In a recently approved EIP project, AFCD has asked the applicant to reduce the administrative charges and only approved the amount justified.

Project monitoring

2.19 For project monitoring purpose, SFDF and SADF grantees are required to submit progress reports, annual reports, final reports and financial statements to the SFDF Secretariat and the SADF Secretariat respectively. The AFCD staff also conduct inspections on SFDF/SADF projects.

Delays in submission of reports and financial statements

2.20 According to the SFDF/SADF application guidelines, for project monitoring purpose, an SFDF/SADF grantee is required to submit after project commencement:

- (a) within two months following the end of each 6-month period, a progress report which includes a timetable for planned activities and a financial statement;
- (b) within two months following the end of each 12-month period, an annual report and an audited financial statement with original receipts. The grantee's auditor is required to provide opinions on whether the grantee has complied with AFCD's requirements, including the terms and conditions contained in the funding agreement, and instructions issued by AFCD from time to time in respect of the project; and

Application processing and project monitoring

- (c) within four months following the agreed project completion date, a final report and an audited financial statement of the project.

2.21 As at 31 December 2018, 10 SFDF projects had been approved. Of these 10 projects, 2 projects had been completed and 8 projects were in progress. In respect of the submission of progress reports, annual reports, final reports (hereinafter collectively referred to as reports unless otherwise stated) and financial statements of these 10 SFDF approved projects (Note 5), Audit found that as at 15 January 2019:

- (a) in 7 projects, there were delays in submission of the reports. The delays ranged from 1 day to 258 days (averaging 84 days); and
- (b) in 7 projects, there were delays in submission of the financial statements. The delays ranged from 1 day to 258 days (averaging 107 days).

2.22 Audit further examined 3 SFDF projects (Note 6) and found that:

- (a) the grantees concerned were sometimes required to resubmit the reports. Of the 13 reports submitted by the grantees, 9 (69%) were resubmitted at least once (see Table 6); and

Note 5: *As at 31 December 2018, 7 SADF projects had been approved but not yet commenced. Therefore, Audit only examined the project monitoring of SFDF projects.*

Note 6: *The 3 SFDF projects examined by Audit comprised 2 completed projects (one commenced in February 2016 and completed in January 2018, and the other commenced in April 2016 and completed in April 2018) and 1 project in progress.*

Application processing and project monitoring

Table 6

**Resubmission of reports in 3 SFDF projects
(31 December 2018)**

Resubmission	No. of progress reports	No. of annual reports	No. of final reports	Total	
				No.	Percentage
None	2	2	0	4	31%
Once	3	1	1	5	69%
Twice	1	1	0	2	
Thrice	1	0	1	2	
Total	7	4	2	13	100%

Source: *Audit analysis of AFCD records*

- (b) for some of the 13 reports, the time taken for processing the reports was long (see Table 7).

Table 7

**Time taken in processing reports for 3 SFDF projects
received before 31 December 2018**

Processing time	Progress reports	Annual reports	Final reports
No. of days	62 to 275	60 to 311	49 to 259
Average no. of days	164	124	154

Source: *Audit analysis of AFCD records*

Remarks: *Time taken refers to the number of days between the date of acceptance of a report for assessment purpose by the SFDF Secretariat and the date of provision of the report by the SFDF Secretariat (after its assessment) to a working group of the SFDF Advisory Committee for review. As at 14 February 2019, some of the reports were still being processed by the SFDF Secretariat. For these reports, the number of days were counted up to 14 February 2019.*

Application processing and project monitoring

2.23 In the AFCD review (see para. 2.5), AFCD noted that there were delays in submission of reports and financial statements by SFDF grantees. According to AFCD, the delays were mainly caused by the fact that there was no limit on the number of grantees' requests for extension of submission of reports or financial statements. On the other hand, the long processing time of some cases was mainly caused by the need to request the grantees to provide supplementary information after they had submitted reports. AFCD considered that as a result of the delays, it could not monitor the progress of projects on a timely basis. Accordingly, AFCD recommended that:

- (a) grantees would be reminded to submit reports and financial statements in a timely manner;
- (b) an advisory/warning mechanism would be put in place to handle cases in which the grantees failed to submit reports/financial statements or supplementary information on time. The grants may be suspended (Note 7) or terminated under the terms and conditions of funding agreements if necessary;
- (c) grantees would be reminded of the report requirements clearly;
- (d) samples of the reports would be provided to grantees; and
- (e) meetings will be arranged with grantees to explain the report requirements and other information/documents requested if necessary.

In March 2019, AFCD informed Audit that the recommendations had been endorsed by the SFDF Advisory Committee.

2.24 Audit considers that AFCD needs to promptly implement the recommendations. It also needs to closely monitor the timeliness of submission of reports and financial statements by grantees, and to instigate further improvement measures where necessary.

Note 7: *SFDF/SADF grant is payable to a grantee upon AFCD's acceptance of reports and financial statements submitted by the grantee at different stages of a project period.*

Inadequacies in inspections

2.25 According to AFCD, for the monitoring of SFDF projects, AFCD staff (including staff of the SFDF Secretariat and technical staff of the Fisheries Branch) (see Appendix A) conduct inspections on the progress of SFDF projects at least every six months. They will complete inspection reports after conducting the inspections. The technical staff of the Fisheries Branch also pay visits to grantees for the purpose of providing technical support to the grantees.

2.26 Audit examined the inspection records of the 3 SFDF projects (see para. 2.22) and found that some recommendations (e.g. the need to maintain the daily feed usage records and raft patrolling records) made by AFCD had not been implemented despite that the same recommendations were made to the grantees in previous inspections. There were no records indicating that AFCD had taken measures to ensure satisfactory implementation of the recommendations by the grantees.

2.27 In the AFCD review (see para. 2.5), AFCD noted that the major recommendations or comments had not been conveyed to the grantees after every inspection. Accordingly, the AFCD recommended that the SFDF Secretariat should establish a clear set of inspection procedures and guidelines. Furthermore, after each inspection, the SFDF Secretariat should convey the major observations and opinions to the grantee, maintain proper records and establish a log of review work to record project progress and follow-up work.

2.28 Audit considers that AFCD needs to promptly implement the recommendations. It also needs to closely monitor the implementation of the recommendations and instigate further improvement measures where necessary.

Need to update funding agreements

2.29 In all the 3 SFDF projects examined by Audit (see para. 2.22), there were delays in project commencement. Audit noted that in all the 3 projects, as a result of the delays, the dates of achieving project milestones had been revised by the SFDF Secretariat. However, in the signed funding agreements, the revised dates of achieving project milestones had not been updated.

- 2.30 In March 2019, AFCD informed Audit that:
- (a) a standard clause stipulating that “the Grantee shall forthwith notify and seek the prior written consent of the Government if there is any material change to any information provided in the Proposal or any matters in relation to this Agreement.” had been included in the signed funding agreements. This clause would have taken care of any changes in the dates of achieving the project milestones; and
 - (b) the project proposals, which included the project milestones, formed parts of the signed funding agreements. The grantees and the Government had shared the view that the dates of achieving milestones would be changed based on the updated project commencement dates and completion dates. Nevertheless, to avoid ambiguity, AFCD would require successful applicants to update all the dates of achieving project milestones and the dates of commencement and completion of projects in future.

2.31 To ensure that the interests of both grantees and the Government are properly protected, Audit considers that in cases where the dates of achieving project milestones have been revised, AFCD needs to update the funding agreements to reflect the revisions prior to the signing of the agreements.

Use of funds by grantees

2.32 According to the funding agreements, SFDF (see Note 5 to para. 2.21) grantees have to observe the requirements for the use of grants.

2.33 ***Need to purchase the mandatory insurances.*** As specified in the funding agreements, grantees shall purchase insurances including:

- (a) ***Employees’ compensation insurance.*** In accordance with the Employees’ Compensation Ordinance (Cap. 282), no employer shall employ any employees in any employment unless there is in force a policy of insurance to cover the employer’s liabilities under the laws, including the common law, for work injuries sustained or prescribed occupational diseases contracted by the employees;

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- (b) ***Public liability insurance.*** A grantee shall effect and keep in force during the project period a public liability insurance policy exclusively for the project in the joint names of the Government and the grantee with an insurance company authorised under the Insurance Ordinance (Cap. 41); and
- (c) ***Insurance for collateral.*** For commercial projects (i.e. income-generating projects), the titles of assets (including all capital items, equipment, minor works and supporting facilities) procured with the grant will remain with the grantee. However, to ensure the proper use of public funds, the grantee needs to register a floating charge as collateral for the grant and any related monies owned to the Government with the Companies Registry within one month after entering into a funding agreement with the Government. The grantee should also obtain his own insurance for the collateral of the project. Should there be no relevant insurance service, the Director may, subject to the satisfactory justifications put forward by the grantee and comments by the SFDF Advisory Committee, consider granting an exemption.

2.34 Audit examined the 3 SFDF approved projects (see para. 2.22) and found that in a project (which was still in progress as at 31 January 2019):

- (a) ***Employees' compensation insurance.*** For the project, the grantee hired 6 employees, comprising 1 project manager and 5 project assistants. In the period April 2017 to July 2018, AFCD repeatedly reminded the grantee to purchase an employees' compensation insurance. In a paper reporting the progress of projects sent to the working group of the SFDF Advisory Committee in June 2017, a member stated that it was unacceptable that the insurance had still not been purchased up to that moment. Up to 31 January 2019, the insurance had still not been purchased;
- (b) ***Public liability insurance.*** Up to 31 January 2019, there was no documentation indicating that a public liability insurance had been purchased for the project during the project period; and
- (c) ***Insurance for collateral.*** The charge (i.e. collateral) was made by the grantee in March 2016 in favour of the Government. The grantee attempted to obtain quotations from three insurance companies. All the insurance companies refused to provide quotation (due to, for example, the delicacy

Application processing and project monitoring

of the fish raft which was tailor-made). In the period from April 2017 to July 2018, AFCD repeatedly recommended the grantee to apply for exemption to purchase the insurance for collateral. In late October 2018, the grantee wrote to the SFDF Secretariat seeking approval for exempting from purchasing the insurance. Up to 31 January 2019, the exemption was not yet granted.

2.35 Audit noted that the project was expected to be completed in March 2019. However, up to 31 January 2019 (34 months after the project commencement date of March 2016), none of the aforesaid insurances had been purchased by the grantee. AFCD needs to immediately take measures to rectify this anomaly.

2.36 *Need to observe the procurement requirements.* According to the application guidelines which form part of the requirements of the funding agreements, procurement of goods and services must be conducted in an open and fair manner. Furthermore, for procurement with a value:

- (a) exceeding \$1.4 million, a competitive tendering exercise should be conducted;
- (b) over \$50,000 but not exceeding \$1.4 million, at least five written quotations should be obtained;
- (c) over \$2,000 but not exceeding \$50,000, more than one quotation should be obtained; and
- (d) of \$2,000 or below, no quotation is required.

Prior approval of the Director is required for adopting any other procurement practices.

2.37 In examining the 3 SFDF approved projects (see para. 2.22), Audit found that in 2 projects, the grantees failed to observe the procurement requirements of the funding agreements, as follows:

Application processing and project monitoring

- (a) for 2 project items each with a value exceeding \$1.4 million (\$2.92 million for fish fry and \$1.87 million for fish feed), instead of conducting tendering exercises, only quotations were obtained. The grantee informed AFCD that it did not know how to conduct tendering; and
- (b) for 6 project items each with a value over \$50,000 but not exceeding \$1.4 million:
- (i) for 1 project item (\$480,000 for vessel renting), only 2 (instead of 5 as required) written quotations were obtained by the grantee. Furthermore, in this procurement, one supplier quoted \$4,000 per voyage while another supplier quoted \$3,500 per voyage. The grantee used the services of both suppliers and paid both of them \$4,000 per voyage;
- (ii) for 4 project items, AFCD informed Audit in March 2019 that the required number of 5 quotations had been obtained by the grantee. Audit, however, noted that many of the quotations obtained were verbal quotations instead of written quotations (see Table 8); and

Table 8

**Procurement of project items
(31 January 2019)**

	Project item	Project item cost (\$)	No. of written quotations obtained	No. of verbal quotations obtained
1	Diesel fuel	1,080,000	0	5
	Engine fuel		0	5
2	Rental of a fiberglass transportation vessel	583,200	1	4
3	Fish raft	562,500	2	3
4	Net cages	400,000	1	4

Source: AFCD records

- (iii) for 1 project item (\$1.18 million for rental of a wooden fish carrying vessel), only 1 of the required 5 written quotations was obtained by the grantee. Furthermore, in examining the progress report submitted by the grantee, AFCD noted that the date of quotation submitted by the supplier was in early February 2016. AFCD further noted that the expenditure on vessel rental had been incurred since October 2015. AFCD thus considered that this quotation was incongruous as the date of quotation was later than the date of commencement of the rental service. There was, however, no documentation indicating that AFCD had taken any follow-up action.

Audit recommendations

2.38 Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:

- (a) **promptly implement the recommendations of the AFCD review relating to the submission of SFDF projects' reports and financial statements by grantees (see para. 2.23);**
- (b) **closely monitor the timeliness of submission of reports and financial statements by SFDF grantees, and instigate further improvement measures where necessary;**
- (c) **promptly implement the recommendations of the AFCD review relating to inspections of progress of SFDF projects (see para. 2.27), and instigate further improvement measures where necessary;**
- (d) **ensure that applicable recommendations for the monitoring of SFDF projects are also implemented for SADF projects;**
- (e) **in cases where the dates of achieving project milestones have been revised, update the funding agreements to reflect the revisions prior to the signing of the agreements;**

Application processing and project monitoring

- (f) take immediate measures to rectify the anomalous case (see para. 2.34) in which the grantee has not purchased any of the insurances required by the funding agreement;**
- (g) ensure that there is no recurrence of cases similar to the anomalous case (see (f) above) in future;**
- (h) provide assistance to grantees to help them conduct tendering exercises;**
- (i) keep in view the need to modify the existing procurement practices, taking into consideration the industry practices; and**
- (j) take measures to ensure that procurements made by grantees comply with the requirements of the funding agreements, including:**
 - (i) the required number of quotations are always obtained by grantees;**
 - (ii) in circumstances where the required number of quotations cannot be obtained (e.g. sole supplier of the procured goods or services), justifications for deviations from the requirement are provided by grantees;**
 - (iii) more favourable quotations are always accepted by grantees;**
 - (iv) in circumstances where less favourable quotations are accepted, justifications for accepting such quotations are provided by grantees;**
 - (v) written quotations, instead of verbal quotations, are always obtained by grantees;**
 - (vi) in circumstances where written quotations cannot be obtained, prior approval from the Director for adopting other procurement practices are obtained by grantees; and**

- (vii) **follow-up action is taken on any incongruous quotations obtained by grantees.**

Response from the Government

2.39 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report; and
- (b) regarding the project mentioned in paragraph 2.34, on 7 March 2019, AFCD granted an exemption for the procurement of insurance for the collateral and informed the grantee accordingly. On 19 March 2019, AFCD also issued a warning letter to require the grantee to purchase the employees' compensation insurance immediately or otherwise AFCD would terminate the project. In the warning letter, AFCD has also urged the grantee to provide appropriate public liability insurance whenever they organise project-sharing sessions or arrange visits on their fish farms.

2.40 The Commissioner for Labour has said that the Labour Department attaches great importance to enforcing the employees' compensation insurance requirement under the Employees' Compensation Ordinance. Labour inspectors conduct inspections to establishments of various trades to check employers' compliance with this statutory requirement and follow up on complaints against non-compliance. Government bureaux/departments may make referrals of suspected non-compliance cases to the Labour Department for follow-up action.

PART 3: ACHIEVEMENT OF FUND OBJECTIVES

3.1 This PART examines the achievement of fund objectives, focusing on:

- (a) disbursement of funds to worthwhile projects (paras. 3.4 to 3.19); and
- (b) evaluation of project achievements (paras. 3.20 to 3.24).

Objectives of the sustainable fisheries and agricultural development funds

3.2 It has been the Government's intention to put the development of the agriculture and fisheries industries on a sustainable path. To this end, the Government has set up SFDF and SADF (see para. 1.4). At the meetings of LegCo's Finance Committee held in January 2014 and April 2016, approval for setting up SFDF and SADF was sought respectively (see para. 1.4(a) and (b)). At the meetings, the Finance Committee was informed that the objectives of the two funds were:

- (a) *SFDF*. The objective was to help the fisheries sector achieve more viable and sustainable development by widening the scope of fisheries operations; and
- (b) *SADF*. The objective was to facilitate modernisation, mechanisation and sustainable development of the agriculture industry.

3.3 In pursuit of these objectives, disbursements (in the form of grants) are made under SFDF and SADF (including their subsidiary programmes, i.e. EIP and FIS). The disbursements support projects which contribute in a direct and practical way towards the sustainable development of the local agriculture and fisheries industries (see Table 1 in para. 1.5).

Disbursement of funds to worthwhile projects

3.4 According to the Government, disbursement of funds under SFDF and SADF is dependent on the number of fund applications received and approved. In

seeking approval to set up SFDF and SADF, the Government informed the Finance Committee of LegCo that for planning and budgetary purpose, the estimated cash outflows (i.e. disbursement) of the two funds were:

- (a) **SFDF.** An annual disbursement of \$50 million for 10 years from 2014-15 to 2023-24. The total disbursement would be \$500 million (i.e. \$50 million × 10 years); and
- (b) **SADF.** An annual disbursement of:
 - (i) \$100 million for each of the years 2017-18 and 2018-19 (i.e. \$200 million in total); and
 - (ii) \$50 million for each of the ensuing 6 years from 2019-20 to 2024-25 (i.e. \$300 million in total).

The total disbursement would be \$500 million (i.e. \$200 million + \$300 million).

The Government also informed the Finance Committee that the actual cash flow would depend on the number of applications received and approved.

3.5 To help fishermen, farmers and related organisations understand the two funds and submit fund applications, AFCD has publicised the funds through various channels such as briefing sessions, liaison meetings, publicity materials (e.g. pamphlets) and consultation meetings with potential applicants.

Slow pace of fund disbursement

3.6 Audit compared the planned disbursement of funds (see para. 3.4) with the actual disbursement, and found that the actual disbursement amounted to only a small portion of the planned disbursement. Table 9 shows that:

- (a) **SFDF.** In 2014-15 to 2018-19 (up to 31 December 2018), the portion ranged from 0% to 22.6% of the planned disbursement; and

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- (b) *SADF*. In 2017-18 and 2018-19 (up to 31 December 2018), the portions were 2.7% and 6.7% of the planned disbursement respectively.

Table 9

**Planned and actual disbursements of funds
(31 December 2018)**

Year	SFDF		SADF	
	Planned disbursement	Actual disbursement	Planned disbursement	Actual disbursement
	(\$ million)			
2014-15	50	0 (0%)	N.A.	
2015-16	50	2.2 (4.4%)		
2016-17	50	11.3 (22.6%)		
2017-18	50	8.9 (17.8%)	100	2.7 (2.7%)
2018-19	50	7.5 (15.0%) (Up to 31.12.2018)	100	6.7 (6.7%) (Up to 31.12.2018)
Overall	250	29.9 (12.0%)	200	9.4 (4.7%)

Source: *Audit analysis of AFCD records*

Remarks: For *SADF*, figures in the Table include disbursements made under the subsidiary programme of the fund (i.e. *FIS*). For *SFDF*, no disbursement had been made under its subsidiary programme (i.e. *EIP*) as at 31 December 2018.

3.7 In March 2019, AFCD informed Audit that:

- (a) the planned amounts of disbursement were budgetary indicators when seeking the Finance Committee's approval (see para. 3.4);
- (b) for the *SADF*, it was anticipated that by the end of 2018-19, the actual fund disbursement in the year would be \$38.8 million (i.e. 39% of the planned disbursement of \$100 million), and that the total amount of funds approved

in the year would be \$84 million. This \$84 million of approved funds was close to the planned disbursement for the year;

- (c) the discrepancy between the budgetary indicators (i.e. the planned disbursement of funds) and the actual disbursement was due to a number of factors:
 - (i) as mentioned in the relevant Finance Committee papers, the actual cashflow would depend on the number of applications received and approved (see para. 3.4). It took time for applicants to prepare and submit project proposals and for AFCD and the SFDF/SADF Advisory Committee to vet the applications;
 - (ii) for SFDF, as at 28 February 2019, AFCD had received 33 applications which sought funding support of some \$232 million, accounting for about 46% of the approved commitment of \$500 million of SFDF. For SADF, as at 1 March 2019, AFCD had received 34 applications which involved some \$240 million, accounting for about 48% of the approved commitment of \$500 million of SADF. However, not all the applications were recommended by the SFDF/SADF Advisory Committee to the Director; and
 - (iii) projects varied in duration, and grants to projects with a long duration would be disbursed by instalments according to the actual progress of the projects over the periods; and
- (d) as at 28 February 2019:
 - (i) for SFDF, the actual disbursement for 2018-19 was \$8 million, which accounted for 16% of the planned disbursement for 2018-19. For the period 2014-15 to 2018-19, the actual disbursement was \$30.4 million, which was 12.2% of the planned disbursement for the period; and
 - (ii) for SADF, the actual disbursement for 2018-19 was \$30 million, which accounted for 30% of the planned disbursement for 2018-19. For the period 2017-18 and 2018-19, the actual disbursement was

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\$32.7 million, which was 16.4% of the planned disbursement for the period.

3.8 Projects funded under SFDF and SADF are those which could contribute towards the sustainable development of the agriculture and fisheries industries (see para. 3.3). In Audit's view, for SFDF and SADF to have an impact on sustainable development, sufficient funding needs to be provided to bring about improvements in the industries through an adequate number of projects. While factors (see para. 3.7(c)) affecting the actual disbursement of funds might not be entirely within the control of the Government, the fact that only a small portion of funds had been disbursed (see Table 9 in para. 3.6) was not conducive to achieving the objectives of the two funds.

Decreasing number of fund applications

3.9 Audit analysed the number of fund applications submitted to AFCD in 2014 to 2018, and noted that the number (including applications submitted under EIP and FIS) had generally decreased over the years. Table 10 shows that:

- (a) ***SFDF***. The number of SFDF applications decreased from 15 in 2014 to 3 in 2018; and
- (b) ***SADF***. The number of SADF applications decreased from 20 in 2017 to 13 in 2018. The number of applications for FIS decreased from 172 in 2017 to 66 in 2018.

Table 10

**Number of applications for SFDF and SADF
(2014 to 2018)**

	No. of applications				
	2014	2015	2016	2017	2018
SFDF	15	8	5	1	3
EIP (Note 1)	N.A.				7
SADF (Note 2)	N.A.		0	20	13
FIS (Note 2)	N.A.		1	172	66

Source: AFCD records

Note 1: EIP was set up in December 2017.

Note 2: Both SADF and FIS were established in December 2016.

3.10 In March 2019, AFCD informed Audit that:

- (a) the adverse weather in 2018 might be a factor for the small number of FIS applications received for the year. Some farmers had written to AFCD requesting the deferment of purchase of farm equipment/materials already approved-in-principle under FIS due to the super typhoon and rainstorm in the year; and
- (b) while the number of applications received were demand driven, AFCD had taken actions to boost promotion of SFDF and SADF (including FIS and EIP) through various means, for example, organising briefing sessions and liaison meetings, distribution of promotion leaflets and/or invitation letters to parties such as local fishermen, fish farmers, farmers and related organisations, and the conduct of one-to-one consultation meetings with potential applicants of SFDF and SADF to facilitate their applications.

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3.11 In Audit's view, given the decreasing number of applications over the years, there is a need for AFCD to enhance its efforts in boosting promotion of SFDF and SADF (including FIS and EIP).

Many fund applications rejected

3.12 According to AFCD records, fund applications were assessed against a set of eligibility criteria, and were considered by the SFDF/SADF Advisory Committee. Audit analysed the results of fund applications as at 31 December 2018 and noted that 41% of SFDF applications and 12% of SADF applications had been rejected (see Table 11).

Table 11

**Results of fund applications
(31 December 2018)**

Result of application	No. of applications			
	SFDF	EIP	SADF	FIS
Approved	10 (31%)	1 (14%)	7 (21%)	225 (94%)
Rejected	13 (41%)	0 (0%)	4 (12%)	3 (1%)
Ineligible cases (i.e. ineligible applicants)	0 (0%)	0 (0%)	3 (9%)	0 (0%)
Withdrawn	6 (19%)	0 (0%)	4 (12%)	3 (1%)
Under processing	3 (9%)	6 (86%)	15 (46%)	8 (4%)
Total	32 (100%)	7 (100%)	33 (100%)	239 (100%)

Source: *Audit analysis of AFCD records*

3.13 It was AFCD's practice to inform unsuccessful applicants of the reasons for rejecting their applications. Table 12 shows the reasons why the 17 applications (i.e. 13 SFDF and 4 SADF applications — see Table 11 in para. 3.12) had been rejected.

Table 12

**Reasons for rejecting 17 fund applications
(31 December 2018)**

Reason for rejection	No. of applications
Failure in providing documentation (e.g. for supporting project feasibility) and justification (e.g. for expenditure items in the budget)	13
Failure in meeting the fund objective (e.g. improving the sustainable development of local agriculture or fisheries industry)	12
Uncertain economic effectiveness of the project	10
Project technically infeasible or having safety concern	4
Project objective and expected outcome too general and unrealistic	2
Applicant not financially stable	2
Relevant technology already existed in the market	1
Inexperienced applicant	1
Project previously financed by other funds	1
Failure in promoting the competitiveness of local agriculture or fisheries industry	1

Source: Audit analysis of AFCD records

Remarks: Some projects were rejected for more than one reason.

3.14 In March 2019, AFCD informed Audit that:

- (a) to safeguard the use of public money and ensure that the two funds could meet the intended objectives as approved by the Finance Committee, fund applications had to be examined against a set of criteria. The success rate depended on whether the applications met the criteria; and
- (b) AFCD endeavoured to ensure that applications would not be discouraged due to procedural considerations. It had been assisting applicants in submitting applications with a view to improving the quality of applications

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through various initiatives, such as providing one-to-one consultation with interested parties before the submission of applications and offering technical advice to applicants whenever necessary.

3.15 While noting AFCD's efforts (see para. 3.14), the high rejection rates indicated that many proposed projects did not meet the assessment criteria, and that they were not considered to be worthwhile projects. In Audit's view, in order to achieve the objectives of the funds, it is important to provide funding support to more worthwhile projects. Audit considers that AFCD needs to better help the agricultural/fisheries sectors to devise good proposals of projects worthy of funding support. This would call for additional publicity and more assistance to be provided to the sectors.

Need to take effective measures to increase the number of fund applications

3.16 Audit noted that in the AFCD review (see para. 2.5), AFCD concluded that there was a need for improvement in the following areas in order to increase the number of fund applications:

- (a) ***Publicity of funds.*** Key areas for improvement for SFDF and SADF included:
 - (i) improving liaison with agricultural and fisheries organisations, tertiary institutions and NGOs, and inviting them to submit fund applications;
 - (ii) arranging for an outreaching team to visit farms, and inviting farmers to submit applications under FIS;
 - (iii) updating the list of recommended projects for reference of intended applicants; and
 - (iv) producing publicity leaflets and/or video; and
- (b) ***Fund applications.*** Key areas for improvement for SFDF included:

- (i) improving application guidelines to make them more concise and easier to understand;
- (ii) simplifying application forms;
- (iii) publishing a sample of completed application forms; and
- (iv) strengthening communication with applicants.

3.17 Upon enquiry, AFCD informed Audit in February 2019 that specific measures for improving publicity and fund applications had been endorsed by the SFDF Advisory Committee and the SADF Advisory Committee.

Audit recommendations

3.18 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **make better effort to encourage and facilitate the agriculture and fisheries industries to make good use of SADF and SFDF in implementing projects which contribute towards the sustainable development of the industries; and**
- (b) **ensure that effective measures are promptly implemented to enhance the publicity of SFDF and SADF, and to facilitate applicants to apply for funding under SFDF and SADF.**

Response from the Government

3.19 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that AFCD has already started implementing, by stages, the recommendations of the AFCD review and this Audit Report.

Evaluation of project achievements

Room for enhancing post-project evaluation

3.20 As at 31 December 2018, 2 projects had been completed under SFDF (Note 8). It was AFCD's requirement that a grantee should submit a final report within 4 months after the completion of a project. The final report should include an end-of-project evaluation for measuring the efficacy of the project against the indicators stated in the fund application. Audit noted that up to 31 December 2018, AFCD had not completed the review of the final reports of the 2 projects (see Table 13).

Table 13

**Chronology of post-project evaluation for 2 SFDF projects
(31 December 2018)**

Key event	Date	
	Project A	Project B
Completion of project	January 2018	April 2018
Submission of a final report to AFCD (Note)	April 2018	June 2018
Liaison between AFCD and the grantee to follow up the final report (e.g. clarification of facts and providing further information to AFCD)	April 2018 to December 2018	June 2018 to December 2018
Formal submission of an updated final report to AFCD	December 2018	December 2018
Review of the final report	Under review as at 31 December 2018	

Source: Audit analysis of AFCD records

Note: According to AFCD, the "final reports" submitted by the grantees were drafts, which needed to be finalised.

Note 8: *As at 31 December 2018, no SADF projects had been completed.*

3.21 To identify lessons to be learned from the two completed SFDF projects, which could impact on the execution of future projects (both SFDF and SADF projects), Audit considers that AFCD needs to expedite the review of the two completed SFDF projects.

3.22 Audit also noted that AFCD records did not indicate that AFCD had any plans for reviewing the overall achievements of SFDF, SADF and their subsidiary programmes (i.e. EIP and FIS) vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path.

Audit recommendations

3.23 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **expedite the review of the two completed SFDF projects; and**
- (b) **consider the need to evaluate the overall achievements of SFDF, SADF and their subsidiary programmes vis-à-vis the overall objective of putting the development of the agriculture and fisheries industries on a sustainable path.**

Response from the Government

3.24 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) AFCD completed the review of the final reports of the two completed SFDF projects in March 2019; and
- (b) AFCD has already completed a review (see para. 2.5) to improve the application procedures with a view to encouraging more applications. It would conduct a review on overall achievements of SFDF/SADF and subsidiary programmes when more approved projects are completed.

PART 4: GOVERNANCE ISSUES

4.1 This PART examines the governance issues of committees and working groups of SFDF and SADF, focusing on:

- (a) members' attendance at meetings (paras. 4.2 to 4.15);
- (b) management of potential conflicts of interest (paras. 4.16 to 4.24); and
- (c) other areas for improvement on procedures for meetings (paras. 4.25 to 4.32).

Members' attendance at meetings

4.2 Two advisory committees and two working groups have been established for administering SFDF and SADF:

- (a) **Advisory committees.** The SFDF Advisory Committee and the SADF Advisory Committee advise the Director on funding matters, and make recommendations on matters relating to applications for funding support (see para. 1.12(a) and (b)); and
- (b) **Working groups.** According to their terms of reference, the two advisory committees (see (a) above) could establish vetting committees for vetting funding applications (see para. 1.12(c)). In January 2015, the SFDF Advisory Committee set up two vetting committees, referred to as working groups. The two working groups conduct vetting and recommend suitable projects for consideration by the SFDF Advisory Committee.

4.3 Each of the two advisory committees comprises non-official members appointed by the Secretary for Food and Health and official members (i.e. the Secretary for Food and Health and the Director). Members of the SFDF Advisory Committee who are interested in the work of the working groups may volunteer to join the groups.

Decreased attendance at committee meetings

4.4 In 2014 to 2018, 28 meetings of committees and working groups were held. Audit noted that at each of these meetings, more than half of the members of the committee/working group were in attendance. However:

- (a) for the SFDF Advisory Committee, the proportion of members attending (i.e. the attendance rate) decreased from 79% in 2014 to 63% in 2018; and
- (b) for the SADF Advisory Committee, the attendance rate decreased from 82% in 2016 to 75% in 2018.

Table 14 shows the attendance rates of committee and working group meetings for 2014 to 2018.

Table 14

**Attendance rates of
committee and working group meetings
(2014 to 2018)**

Committee/ working group	No. of members	No. of meetings held in a year	Attendance rate				
			2014	2015	2016	2017	2018
SFDF Advisory Committee	15 or 16	1 to 4	79%	73%	88%	77%	63%
SADF Advisory Committee	17	1 to 3	N.A. (Note 1)		82%	94%	75%
Working Group I (under SFDF Advisory Committee)	14	1 to 4	N.A. (Note 2)	77%	79%	93%	79%
Working Group II (under SFDF Advisory Committee)	13 to 15	0 to 3	N.A. (Note 2)	74%	N.A. (Note 3)	100%	N.A. (Note 3)

Source: Audit analysis of AFCD records

Note 1: The SADF Advisory Committee was established in December 2016.

Note 2: The working groups were established in January 2015.

Note 3: No meeting was held in the year. Meetings were held on a need basis.

4.5 In Audit’s view, committee/working group meetings are an important forum where members can exchange ideas and discuss issues in an interactive manner. The decreased attendance at committee meetings is a cause for concern.

Need to improve attendance of individual members

4.6 Audit examined individual members’ attendance at meetings of the two committees held in 2014 to 2018 (i.e. 12 meetings of the SFDF Advisory Committee and 5 meetings of the SADF Advisory Committee). Audit noted that in

each of the years between 2014 and 2018, some members attended less than half of the meetings of their responsible committees (see Table 15).

Table 15
Members' attendance at committee meetings
(2014 to 2018)

Year	SFDF Advisory Committee			SADF Advisory Committee		
	No. of meetings	No. of members who attended		No. of meetings	No. of members who attended	
		Less than half of the meetings	Half or more of the meetings		Less than half of the meetings	Half or more of the meetings
2014	3	3 (19%)	13 (81%)	N.A. (Note)	N.A. (Note)	
2015	4	2 (13%)	14 (87%)			
2016	1	2 (13%)	14 (87%)	1	3 (18%)	14 (82%)
2017	2	2 (13%)	14 (87%)	1	1 (6%)	16 (94%)
2018	2	3 (19%)	13 (81%)	3	5 (29%)	12 (71%)
Total	12			5		

Source: Audit analysis of AFCD records

Note: The SADF Advisory Committee was established in December 2016.

4.7 AFCD records did not indicate that AFCD had identified reasons for individual members attending less than half of the meetings, nor did records indicate that AFCD had taken measures to encourage members' attendance at meetings.

4.8 In March 2019, AFCD informed Audit that:

- (a) the secretariats gave telephone calls to remind members of meetings and sought their confirmation on attendance; and

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- (b) despite not being able to attend the meetings, some members provided their comments on fund applications in writing.

4.9 In Audit's view, there is room for AFCD to step up its efforts in encouraging members' attendance of meetings. Further measures may include, for example, reminding members of the importance of attending meetings and ascertaining whether members have difficulties (e.g. clash with other meetings) in attending meetings and providing assistance to them where possible.

4.10 Audit further noted that of those committee members who had attended less than half of the meetings in 2014 to 2018 (see Table 15 in para. 4.6), two were re-appointed in 2017 upon completion of their three-year term (i.e. for 2014 to 2017) (see para. 1.11). AFCD records indicated that during their terms in 2014 to 2017:

- (a) for one member, he attended less than half of the meetings each year; and
- (b) for the other member, he attended less than half of the meetings in each of the years from 2015 to 2017. In 2014, he attended more than half (i.e. 67%) of the meetings.

4.11 Audit considers that in future, for members who had difficulties in attending meetings and whose re-appointment is essential (e.g. he/she is very experienced in his/her professional field and AFCD believes that he/she could contribute greatly to the operation of SFDF/SADF), measures would need to be taken to encourage the members to attend meetings. Such measures may include, for example, emphasising to the members the importance of attending meetings, and fixing meeting dates/time which are convenient to the members.

Audit recommendations

4.12 **Audit has recommended that the Director of Agriculture, Fisheries and Conservation should closely monitor the trend of attendance rates of committee members and take remedial measures as appropriate.**

4.13 Audit has *recommended* that the Secretary for Food and Health should, in re-appointing members to serve on committees of SFDF and SADF:

- (a) give due consideration to members' past attendance at meetings; and
- (b) for members who had difficulties in attending meetings and whose re-appointments are essential, take measures to encourage them to attend meetings in future.

Response from the Government

4.14 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendation in paragraph 4.12.

4.15 The Secretary for Food and Health has said that:

- (a) when considering re-appointments of members, FHB will consider past performance and merits of the members concerned, taking into account, among others, members' past attendance at meetings; and
- (b) it is AFCD's general practice to schedule a meeting for a date and time that is convenient to most members.

Management of potential conflicts of interest

4.16 AFCD adopts a two-tier declaration system for managing committee members' potential conflicts of interest:

- (a) ***First-tier declaration.*** The chairman and members shall register in writing their personal interests, direct or indirect, pecuniary or otherwise, when they first join the committee, and annually thereafter, to the secretary of the committee (i.e. the SFDF/SADF Secretariat) on standard forms. AFCD keeps a register of declared pecuniary interest for public inspection upon request; and

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- (b) ***Second-tier declaration.*** Committee members are required to report any conflicts of interest as and when they arise and, upon the chairman's decisions, abstain from taking part in discussions and making decisions on the issues in question:
 - (i) if a member (including the chairman) has any direct personal or pecuniary interest in any matter under consideration by the committee, he/she must, as soon as practicable after he/she has become aware of it, disclose to the chairman (or the committee) prior to the discussion of the item; and
 - (ii) the chairman (or committee) shall decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting.

4.17 Apart from first-tier and second-tier declarations, AFCD requires that the following procedures should also be observed:

- (a) when a known direct pecuniary interest exists, the secretary of the committee may withhold circulation of relevant papers to the member concerned;
- (b) where a member receives a paper for discussion and he/she knows that the paper presents a direct conflict of interest, he/she should immediately inform the secretary and return the paper; and
- (c) all cases of declaration of interests shall be recorded in the minutes of the meeting.

Scope for improving first-tier declarations

4.18 Audit reviewed the first-tier declaration forms submitted by committee members from 2014 to 2018 and found that:

- (a) ***First-tier declarations not made.*** Every year, the secretariats of the two funds distributed first-tier declaration forms to committee members for completion. However, the SFDF Secretariat had not done so for 2016. In

the event, contrary to AFCD's requirement, none of the members of the SFDF Advisory Committee made any first-tier declaration for the year;

- (b) ***Outstanding declarations not followed up.*** In 2018, two of the 16 members of the SFDF Advisory Committee did not complete and return the first-tier declaration forms. However, the SFDF Secretariat did not follow up the non-submission; and

- (c) ***Declarations might not be entirely complete.*** Committee members might not have provided complete information about their interests in making first-tier declarations, as shown in the following cases:
 - (i) ***Case 1.*** In 2014 and 2015, two members of the SFDF Advisory Committee indicated in their first-tier declaration forms that they were chairpersons of two fisheries organisations respectively. In 2017 and 2018, the two members submitted "nil" returns for their first-tier declaration forms (for 2016, no declarations were made — see (a) above). However, according to AFCD records, in February 2019, the two members were still chairpersons of the respective organisations. There is a need to include complete information about the two members' interests (direct or indirect, pecuniary or otherwise) in the 2017 and 2018 declaration forms (see para. 4.16(a)); and

 - (ii) ***Case 2.*** In 2017 and 2018, a member of the SFDF Advisory Committee submitted returns on his interests. The returns did not mention that he had affiliation with Fisheries Organisations A and B. However, according to the minutes of the committee meeting held in September 2017, the member stated that he was the director of Fisheries Organisations A and B. It was unclear whether his returns had been properly made.

AFCD records did not indicate that the SFDF Secretariat had followed up the two cases.

4.19 In March 2019, AFCD informed Audit that, regarding the incomplete declarations (see para. 4.18(c)):

Governance issues

- (a) the two-tier declaration of interest system already provided a mechanism for members of the two Advisory Committees to declare their potential conflicts of interest. AFCD re-circulated annually the guidelines of the declaration system to remind members of the importance of making declarations and the fundamental principles for declaring interests, including the disclosure of the relevant organisations that they had joined; and
- (b) members were also reminded by the respective chairman at each meeting to make declarations before discussion of each fund application.

4.20 In Audit's view, despite AFCD's efforts (see para. 4.19), some members were still not entirely proficient in making declarations of interests (see para. 4.18(c)). There is a need to facilitate members to fully declare their interests. For example, in addition to reminding members of the fundamental principles for declaring interests (see para. 4.19(a)), AFCD may also provide them with examples of common interests that need to be declared.

Need to make rulings on interests declared and record in minutes of meetings

4.21 Under the AFCD's declaration system, the chairman is required to make rulings on conflicts of interest declared by members in meetings, i.e. the chairman needs to decide whether a member disclosing an interest may speak or vote on the matter, may remain in the meeting as an observer, or should withdraw from the meeting (see para. 4.16(b)(ii)).

4.22 Audit examined the 28 meetings held from 2014 to 2018 (see para. 4.4), which comprised 23 meetings of the SFDF Advisory Committee/working groups and 5 meetings of the SADF Advisory Committee. Audit noted that in 13 of the 23 meetings of the SFDF Advisory Committee/working groups and in all the 5 meetings of the SADF Advisory Committee, the minutes of meetings indicated that no members had declared conflicts of interest, or after declaring interests by members, the chairmen had made rulings on the interests declared (see para. 4.21). However, there was room for improvement in the documentation of the rulings on interests declared in the minutes of the remaining 10 (43%) of the 23 meetings of the SFDF Advisory Committee/working groups:

- (a) in 7 (30% of 23) meetings, the minutes of meetings did not indicate that the chairmen had made rulings after members making declarations of conflicts of interest (see Case 2 for an example); and

Case 2

**Rulings not made on interests declared
(July 2016)**

1. In July 2016, the SFDF Advisory Committee held a meeting to discuss the funding of a project (costing \$8.5 million). A total of 14 members were present (i.e. 12 non-official members and 2 official members).

2. At the meeting, a member mentioned that the applicant of the project had, on a past occasion, obtained funding from another source for an environmental project. The member declared that he was the assessor of the fund provider at that time.

3. After declaring interest, the member continued to participate in the deliberation and voting of the project proposal. The project proposal was endorsed at the meeting.

Audit comments

4. The minutes of the meeting did not indicate that the chairman had made a ruling on the interests declared by the member.

Source: Audit analysis of AFCD records

- (b) in 3 (13% of 23) meetings, the minutes of meetings indicated that several members had declared conflicts of interest. The chairmen requested members present in the meetings to take note of the interests declared by these several members. Nevertheless, while the interests declared had been recorded in the minutes (see para. 4.17(c)), the minutes did not indicate that the chairmen had made rulings on the interests declared (see paras. 4.16(b)(ii) and 4.17(c)). The fact that the chairmen only requested members to take note of the interests declared might not be fully in compliance with the requirement of the declaration system (see para. 4.21).

Audit recommendations

4.23 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **ensure that first-tier declaration forms are always sent to committee members for their completion every year;**
- (b) **take measure to follow up with the committee members concerned if they have not submitted their first-tier declaration forms;**
- (c) **take measures to facilitate committee members to fully declare their interests, including providing examples of common interests that need to be declared; and**
- (d) **regularly remind the committee chairmen of the need to make rulings on interests declared by members at the meetings, and document the rulings made in the minutes of the meetings so as to enhance transparency and accountability.**

Response from the Government

4.24 The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations. He has said that:

- (a) for the SADF Advisory Committee, the committee members have already completed and returned the first-tier declaration forms for 2019. For the SFDF Advisory Committee, the declaration forms for 2019 have already been sent to the committee members; and
- (b) the two members of the SFDF Advisory Committee (see para. 4.18(b)) returned their completed declaration forms in March 2019.

Other areas for improvement on procedures for meetings

4.25 In January 2017, the Treasury issued a Fund Management Guide. The Guide provides reference for government bureaux and departments in discharging their duties and responsibilities of fund management. According to the Guide:

- (a) members of governing boards/committees should be provided with the agenda and discussion papers of a meeting in good time, normally not less than five working days before the meeting; and
- (b) after each meeting, the minutes should be promptly prepared and circulated for members' comments and agreement.

Need to regularise distribution of papers relating to meetings

4.26 For the 28 meetings held in 2014 to 2018 (see para. 4.4), Audit analysed the time taken for distributing the agendas (accompanied by discussion papers — hereinafter agendas include discussion papers) before the meetings and the time taken for distributing the draft minutes after the meetings (Note 9). Audit found that the agendas and draft minutes were not always distributed in a timely manner, as follows:

- (a) ***Distribution of agendas.*** For committee meetings, the time taken for distributing agendas ranged from 2 to 21 days (averaging 11 days) before the meetings. For working group meetings, the time taken ranged from 7 to 14 days (averaging 9 days). Audit considers that there was room for distributing the agendas earlier in some cases. For example, for 3 of the 28 meetings, the agendas were only distributed less than five days before the meetings (see Table 16); and

Note 9: *The “time taken” refers to the number of days from the date the agenda were distributed to the date of meeting, or the number of days from the date of meeting to the date the draft minutes were distributed.*

Table 16

**Time taken for distributing agendas
(2014 to 2018)**

Timeliness (No. of days before the meeting)	No. of agendas	
	Advisory Committee meeting	Working group meeting
Less than 5	3	0
5 to 10	6	8
11 to 15	4	3
16 to 20	3	0
21	1	0
Total	17	11

Source: Audit analysis of AFCD records

Remarks: Agendas for advisory committee meetings and working group meetings were distributed 2 to 21 days and 7 to 14 days respectively before the meetings.

- (b) ***Distribution of draft minutes.*** For committee meetings, the time taken for distributing draft minutes ranged from 26 to 98 days (averaging 73 days) after the meetings. For working group meetings, the time taken ranged from 18 to 102 days (averaging 61 days). Audit considers that there was room for expediting the distribution of draft minutes in some cases. For example, improvement in distribution could be made in one extreme case in which the draft minutes of the working group were distributed 102 days after the meeting (see Table 17).

Table 17

**Time taken for distributing draft minutes
(2014 to 2018)**

Timeliness (No. of days after the meeting)	No. of draft minutes	
	Advisory Committee meeting	Working group meeting
Less than 20	0	1
21 to 40	1	0
41 to 60	2	5
61 to 80	7	2
81 or more	7	3
Total	17	11

Source: Audit analysis of AFCD records

Remarks: The draft minutes for advisory committee meetings and working group meetings were distributed 26 to 98 days and 18 to 102 days respectively after the meetings.

4.27 Audit noted that AFCD had not laid down any guidelines on the distribution of agendas and minutes of meetings. In this connection, Audit noted that at a meeting of the SFDF Advisory Committee in February 2015, a member stated that the SFDF Secretariat should give more time for members to review the discussion papers (attached to the agenda) before the meeting.

4.28 In Audit's view, distributing agendas only shortly before a meeting might not facilitate members to prepare for the meeting. Besides, distributing draft minutes a long time after a meeting might not facilitate members to recall details of the meeting in order to comment on the draft minutes.

Need to record more clearly the results of voting in minutes of meetings

4.29 Audit reviewed the minutes of the 28 committee meetings held in 2014 to 2018 (see para. 4.4) and found that, in one meeting held in March 2015, the total number of members who voted or abstained from voting was less than the number of members who attended the meeting. Table 18 shows the discrepancies.

Table 18

Number of members voted/abstained from voting at a committee meeting and number of members attending the meeting (March 2015)

Project discussed at the meeting	No. of members voted/abstained from voting				No. of members attending the meeting (b)	Difference (c) = (b) - (a)
	Voted for the project	Voted against the project	Abstained from voting	Total (a)		
Project A	7	0	1	8	10	2
Project B	8	0	0	8		2

Source: Audit analysis of AFCD records

4.30 Upon enquiry in February 2019, AFCD informed Audit that at the committee meeting held in March 2015 (see Table 18), there were 2 members who did not express their views on the projects. Audit, however, noted that this fact had not been recorded in the minutes of the meeting. Audit considers that for better accountability, members who did not express their views should also be recorded as “abstained from voting” in the minutes of the meeting.

Audit recommendations

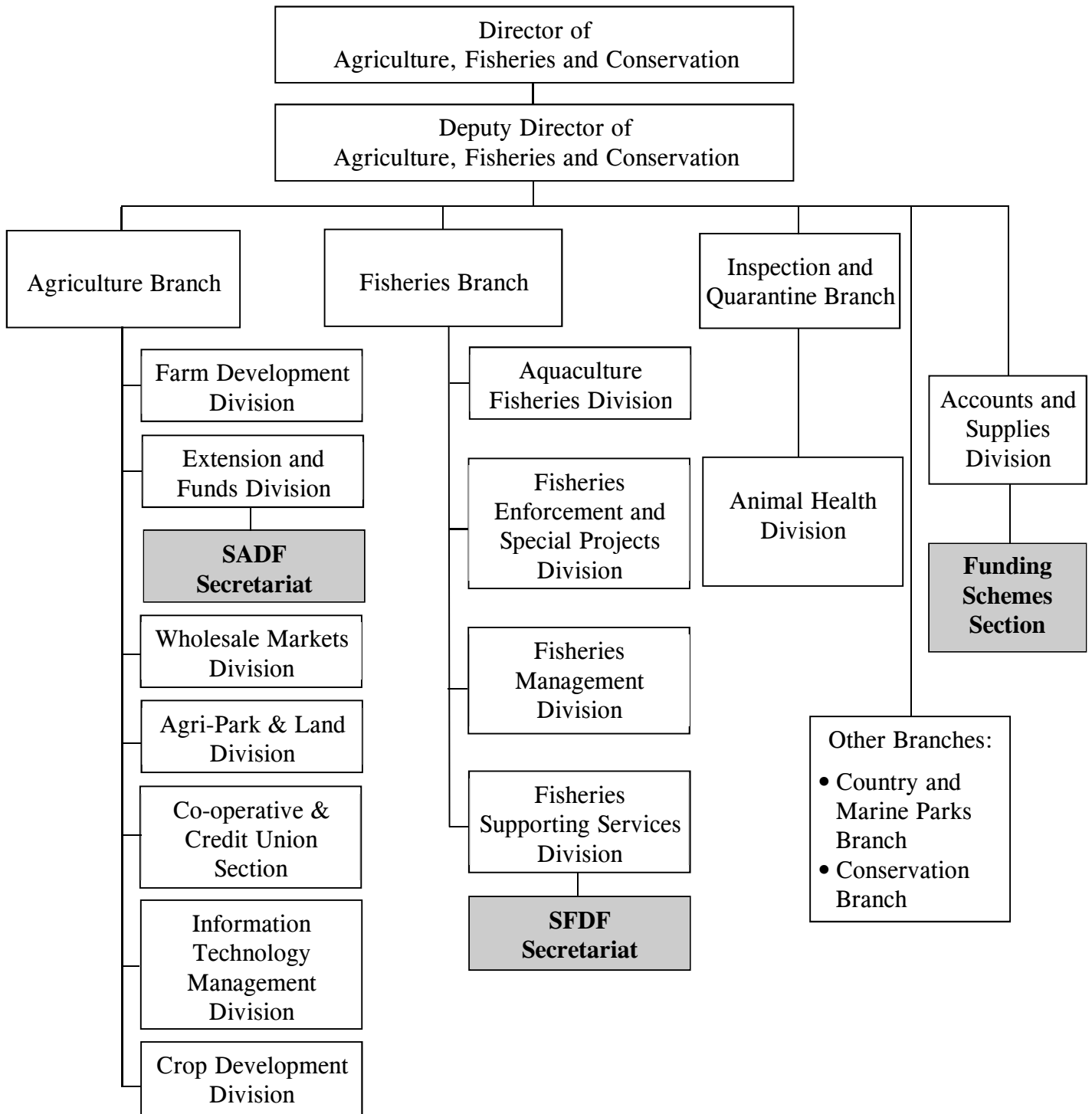
4.31 **Audit has *recommended* that the Director of Agriculture, Fisheries and Conservation should:**

- (a) **consider laying down guidelines on the distribution of agendas (and discussion papers) and draft minutes of meetings; and**
- (b) **ensure that proceedings of meetings are accurately and completely recorded in minutes of meetings.**

Response from the Government

4.32 **The Director of Agriculture, Fisheries and Conservation generally accepts the audit recommendations.**

**Agriculture, Fisheries and Conservation Department:
 Organisation chart (extract)
 (28 February 2019)**



Source: AFCD records

**List of Sustainable Fisheries Development Fund approved projects
(28 February 2019)**

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Commencement date of project	Expected/actual completion date of project
1	A	Fisheries-related Ecotour Guide Training Programme for Fishermen (Northeastern Waters)	The project seeks to help the fishermen develop or switch to fisheries-related ecotourism business by equipping them with the necessary knowledge and skills as well as practical experience of operating eco-tours.	2,349,600	1 February 2016	31 January 2018 (Completed)
2	A	Fishery & Eco, Conservation Program (Cheung Chau Waters)	The project helps fishermen switch to recreational fisheries by equipping them with the necessary knowledge and skills as well as practical experience of operating eco-tours. It also involves planning and design of new eco-tour routes for the development of new recreational fisheries in the waters of Cheung Chau.	2,331,500	1 April 2016	30 April 2018 (Completed)
3	B	Mariculture Using Enclosure Net Cages	The project involves using large enclosure net cages for culturing white flower croaker (mainly for its swim bladder to produce fish maw), giant grouper and pompano. Both the culture system and the culture of white flower croaker are new to Hong Kong.	6,358,986	21 March 2016	20 March 2019

Appendix B
(Cont'd)
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Commencement date of project	Expected/actual completion date of project
4	C	Promotion and Support Scheme on Organic Certification for the Organic Aquaculture in Hong Kong	The project provides assistance to the fish farmers in obtaining organic accreditation and organises activities to enhance public understanding of organic aquaculture and to promote the market for organic aquaculture products.	10,461,740	23 November 2016	22 November 2021
5	D	Safe and Quality Fish Production: Development of High Grade Pellets Using Food Waste for Three Popular Marine Fish Species	The project makes use of local food waste to produce pellet feed for the local mariculture industry.	8,454,590	30 December 2016	29 December 2019
6	E	Establishment and Demonstration of Recirculation Aquaculture System for Fry Culture on Rafts	The project aims to develop grouper fry culture techniques with the use of a seawater recirculating system on fish rafts and to promote such culture techniques to local fish farmers.	3,778,880	1 April 2017	31 March 2020
7	F	Depurated Oyster Project Proposal	The project makes use of a depuration process and a monitoring programme to enhance the safety and quality of local oysters.	3,000,000	1 August 2017	31 July 2020
8	G	Lai Chi Wo Hatchery Development for Sustainable Fishery in Hong Kong Waters	The project introduces fish hatching and larval rearing techniques in brackish water ponds to supply marine fish fry to the local aquaculture industry.	4,417,362	20 October 2017	19 October 2020

Appendix B
(Cont'd)
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Commencement date of project	Expected/actual completion date of project
9	E	Improving Fish Health and Production in Hong Kong	The project aims to improve the sustainability of local aquaculture industry through effective fish disease control and prevention.	4,940,069	1 September 2018	31 August 2020
10	H	Hong Kong Pearl Farm Centre	The project aims to assist fish farmers in switching to the high value-added pearl cultivation industry and recreational fishing, and to enhance the competitiveness of the industry by demonstrating pearl cultivation in local fish raft and its pearl selling, and organising pearl eco tours to promote recreational fishing.	5,312,108	1 November 2018	31 January 2026
11	I	BEC × AFFS — Awareness and opportunities	This project aims to use the branding of “food safety, local produce and environmental friendliness” of Accredited Fish Farm Scheme (AFFS) to create a platform for providing business opportunities on AFFS fishery produce for fish farmers, and the food and beverage and hotel industry with a view to broadening the markets of AFFS fishery produce.	7,500,200	To be confirmed	

Source: AFCD records

**List of Sustainable Agricultural Development Fund approved projects
(28 February 2019)**

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Expected/actual commencement date of project	Expected completion date of project
1	J	Technology Demonstration Project on Application of Advanced Sewage Treatment Technologies for Local Pig Farms	The project aims to devise and construct an advanced and automated sewage treatment demonstration system in order to enhance sewage treatment technologies for local pig farms. The system provides remote monitoring of operation with energy recovery function.	4,950,000	1 January 2019	31 December 2020
2	E	Development of sustainable organic fertilisers for output maximisation of outdoor and indoor plant factories	The project aims to develop a water-soluble, odourless, stable and all-natural organic nutrient solution with an identifiable formula.	2,803,696	1 January 2019	30 June 2021
3	E	Improving Pig Health and Production in Hong Kong	The project aims to identify the major constraints on pig health and production in Hong Kong and to develop interventions that will result in improved productivity, pig welfare, food safety and monitoring for early warning of new and emerging zoonotic diseases etc.	14,997,913	1 March 2019	28 February 2021
4	E	Improving Poultry Health and Production in Hong Kong	The project aims to identify the major constraints on poultry health and production in Hong Kong and to develop interventions that will result in improved productivity, poultry welfare, food safety and monitoring for early warning of new and emerging zoonotic diseases etc.	14,961,146	1 March 2019	28 February 2021

Appendix C
(Cont'd)
(Table 3 in para. 1.15(a) refers)

	Organisation	Project title	Brief description of project	Amount of grant approved (\$)	Expected/actual commencement date of project	Expected completion date of project
5	C	Management and operation of the Organic Certification System and its support initiatives	The project aims to implement and maintain the operation of the only internationally recognised third-party independent organic certification system in Hong Kong. The project will provide farmers with support and simplified application procedures for organic certification in order to encourage them to take part in organic certification, as well as to promote the organic certification programme.	14,999,120	1 April 2019	31 March 2023
6	K	Promotion of local organic agriculture and image-building of professional organic certification	The project aims to deepen the public's understanding in local organic agriculture and organic certification service, assist organic farmers in establishing local organic agriculture brands to capture market niches, enhance the support for organic farmers and boost consumers' confidence in purchasing local agricultural produce.	14,911,428	1 April 2019	31 March 2022
7	L	Comprehensive support and promotion scheme for agriculture	The project aims to provide farmers with agricultural resources, support for agricultural operations and organic certification support services as well as quality organic seedlings and seeds.	14,145,672	1 April 2019	31 March 2022

Source: AFCD records

Acronyms and abbreviations

AFCD	Agriculture, Fisheries and Conservation Department
AFFS	Accredited Fish Farm Scheme
Audit	Audit Commission
DoJ	Department of Justice
EIP	Equipment Improvement Project
FHB	Food and Health Bureau
FIS	Farm Improvement Scheme
LegCo	Legislative Council
NGO	Non-governmental organisation
SADF	Sustainable Agricultural Development Fund
SFDF	Sustainable Fisheries Development Fund