

**For information on
14 January 2013**

**Legislative Council Panel
on Information Technology and Broadcasting**

**Implementation of the
Internet Learning Support Programme by eInclusion**

Purpose

This paper sets out the progress of the implementation of Internet Learning Support Programme (the Programme) with particular focus on the sourcing arrangement of eInclusion Foundation Limited (eInclusion).

Background

2. At its meeting on 28 May 2010, the Finance Committee of Legislative Council (FC) approved a funding commitment of \$220 million for the implementation of a five-year programme to assist students from low-income families to acquire affordable computers and Internet access service, and to provide training, and user and social support to them. FC agreed that the Programme would be managed by a non-profit-making organisation which will ‘operate as a business entity so that it can implement the Programme with maximum flexibility’, and ‘be allowed flexibility in planning and operating its services and resources’. FC noted that a mid-term review will be conducted to ‘facilitate assessment and planning on the way forward beyond the five-year programme’.

3. The Government has commissioned eInclusion, jointly formed by the Boys’ & Girls’ Clubs Association of Hong Kong (BGCA) and the Internet Professional Association (iProA), and WebOrganic, formed by the Hong Kong Council of Social Service, to implement the Programme in the eastern and western parts of the territory

respectively. The Programme was launched in July 2011. Leveraging on their networks, both organisations have made efforts to source discounted product offers, devise flexible payment options, and provide Programme participants with comprehensive support to facilitate healthy use of the Internet for learning. They have also sought commercial sponsorships and donations to supplement the Programme.

Programme Monitoring and Control

4. The long-term aim of the Programme is to foster non-profit entities to develop sustainable business models to continue supporting needy students with Internet learning. Hence, the two implementation agents of the Programme are given maximum free hand in their operation. To ensure effective and prudent use of public funds, the Office of the Government Chief Information Officer (OGCIO) has entered into a Funding and Operation Agreement (F&OA) with each of them, setting out in detail —

- (a) the service targets and minimum service levels, such as the number of beneficiaries reached and served, conversion rate of non-users, number of training sessions, beneficiaries' satisfaction rate, configuration of Internet service and computers, payment arrangements, service hours and pledges, training and counselling arrangement;
- (b) regular reporting requirements to facilitate progress and performance monitoring, such as biannual Programme operational and financial reports, annual estimates and revised estimates, annual audited accounts and forward business plans; and
- (c) governance requirements, e.g. adoption of fair, transparent and competitive mechanism in selection of service providers, prior approval from OGCIO on direct engagement arrangements, etc.

5. On financial control, the F&OA expressly stipulates that Government funding should be used exclusively for the purpose of

carrying out Programme activities, and will be released every 6 months subject to compliance with the terms and conditions of the F&OA. The implementation agents are required to submit annual business plan and the detailed budget for the Government's approval before disbursement of funds, and the actual amount of payments are determined with reference to the cash flow requirements for Programme activities agreed with OGCI. Since substantial start-up capitals were required at the inception stage for setting up the Programme operations, building necessary support systems as well as providing initial credit facilities on computer purchases, the funding requirements of the two implementation agents were front-loaded. In 2011-12, on the basis of the cash requirements set out in their business plans and budgets, the Government has allocated \$29.8 million and \$24.7 million to eInclusion and WebOrganic respectively.

6. A Programme Steering Committee, led by the Government Chief Information Officer (GCIO) and comprising representatives from the Education Bureau and the Social Welfare Department, maintains oversight of Programme delivery and performance, and addresses matters of common concern. In addition, OGCI monitors the implementation progress closely through frequent working level meetings, ad-hoc site inspections and regular customer satisfaction surveys. Since launch of the Programme on 14 July 2011, 4 tripartite (eInclusion, WebOrganic and OGCI) meetings were held; 8 and 5 working level meetings and over 10 on-site inspections were held and made by OGCI with each of the service providers, i.e. eInclusion and WebOrganic, respectively. According to a customer satisfaction survey conducted in early 2012, 98% of the respondents were satisfied with the services of these two organisations.

7. As at end October 2012, over 62 000 eligible families have enrolled in the Programme and about 15 000 of them have received services through eInclusion and WebOrganic. Detailed Programme performance statistics as reported by eInclusion and WebOrganic are set out at **Annex A**. Expenditure incurred up to September 2012 as reported by eInclusion and WebOrganic are \$23 million and \$17 million respectively. A breakdown is given at **Annex B**.

8. Due to slower than expected service take-up, the allocated funds mentioned in paragraph 5 above were not fully used in the first year. As at 31 March 2012, the respective spending of eInclusion and WebOrganic were \$14.6 million and \$13.3 million respectively. The unused balance was carried forward to continue with the operations in 2012-13.

9. We updated the Panel of the performance of the Programme in 2011-12 on 14 May 2012. We will report the latest progress and outcome of the mid-term review to the Panel in mid 2013.

Sourcing Arrangements of eInclusion

10. A Panel Member raised questions on 21 November 2012 in respect of the sourcing arrangement adopted by eInclusion. As mentioned in paragraphs 2-4, eInclusion is commissioned by the Government to implement the Programme in the eastern part of Hong Kong. As an independent non-profit organisation, eInclusion has full autonomy in selecting its service providers.

11. Under eInclusion's business model, BGCA is responsible for delivering frontline services while iProA provides support services including IT technical support, budgeting and accounting, sales operation, market management, Programme promotion and volunteer management. In line with its business model, at Programme launch, eInclusion sought Government's approval to directly engage its two constituting partners, BGCA and iProA, for the above services for 5 years and 1 year respectively. Noting that both BGCA and iProA are its guarantors undertaking to fulfil all obligations and liabilities under the F&OA jointly or severally in the event of non-performance of eInclusion, and given BGCA's mission and its frontline service capabilities, we approved direct engagement of BGCA for 5 years. For various support services, we approved direct engagement of iProA for the first year upon commission. The intention was to enable eInclusion to set up its operations for Programme launch quickly. After 1 year, eInclusion should procure the necessary support services through a competitive and open process. The direct engagements are on a strictly cost-recovery basis. Both BGCA and iProA are required

to keep separate book and bank accounts for Programme funds in the interest of clear accountability.

Tender for Support Services

12. eInclusion initiated an open tender exercise in July 2012 to acquire the support services for the coming year. Two tenders were issued — one for budgeting and accounting services, sales operation, IT consultancy and IT technical support; the other for marketing and promotion services, pre-sales and sales services, and volunteer management services. In accordance with its Corporate Governance Manual, eInclusion set up a three-member vetting panel to consider the proposals received. To allow eInclusion to complete the tendering exercise and facilitate smooth transition, we approved eInclusion's request to extend the direct engagement of iProA for 2 months to 31 October 2012.

13. The tender for accounting services, sales operations and IT support services has attracted two proposals, while only one proposal was received for the other one. The vetting panel completed tender evaluation in September 2012. eInclusion was not content with the response to the tender exercise and would like to conduct a thorough review of its business model and sourcing strategy. It decided not to award the contracts. Instead eInclusion sought our agreement to further extend the direct engagement of iProA's services for one more year to allow it to complete its review and identify a right balance of in-sourcing and outsourcing.

14. We supported eInclusion's proposal to improve its sourcing arrangements for various support services for more effective service delivery. In the interest of service continuity, we allowed eInclusion to extend the existing direct engagement of iProA for another 6 months until 30 April 2013, instead of one year. In addition, we further imposed a number of conditions to enable the Government to closely monitor the spending on iProA's services during the direct engagement period to ensure cost-effectiveness and value-for-money. These conditions include —

- (a) the direct engagement should continue to be on a strictly

cost recovery basis;

- (b) the manpower to be engaged, the rates of employment and other incidental expenses should be fully justified and duly vetted and approved by a relevant Committee of eInclusion and properly endorsed by its Board having regard to cost-effectiveness and operational requirements;
- (c) iProA should continue to keep a separate bank account for the Programme;
- (d) eInclusion should submit a monthly breakdown of the expenditures incurred by iProA, including but not limited to the detailed headcounts and respective salary charges, for OGCIO's scrutiny;
- (e) OGCIO reserves the right to make adjustment on the expenditure to be charged to the Programme;
- (f) eInclusion should submit a work plan detailing the estimated manpower to be engaged as well as the estimated costs involved for the coming 6 months up to 30 April 2013 to OGCIO; and
- (g) eInclusion should complete the sourcing review with practicable and cost-effective recommendations on the way forward by mid-February 2013.

Way Forward

15. We have asked eInclusion to complete the business model review by mid-February 2013 and put in place appropriate sourcing arrangements by the end of April 2013, for example hiring direct staff for essential support services and outsourcing individual ancillary functions that are beyond eInclusion's capabilities. The Government also takes part in the review to ensure that Government's advice is given in a timely manner. We will continue to monitor eInclusion's financial and internal control closely. In addition, we are conducting a comprehensive mid-term review on the Programme and we expect to report the findings to the Panel in mid 2013.

Advice Sought

16. Members are invited to note the above update on the sourcing arrangement of eInclusion.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
January 2013**

**Performance Statistics of Internet Learning Support Programme
as reported by eInclusion and WebOrganic**

Service Areas	Progress as at 31 October 2012		
	eInclusion	WebOrganic	Total
1. Number of target beneficiaries reached	34 835 families	27 560 families	62 395 families
2. Number of target beneficiaries served	6 206 families	9 099 families	15 305 families
3. Number of students trained	4 363	5 150	9 513
4. Number of parents trained	6 826	2 913	9 739
5. Number of Internet packages sold	639 packages	2 052 packages	2 691 packages
6. Number of computers sold	2 803 pieces	2 779 pieces	5 582 pieces
7. Hotline Enquiries handled	29 734 enquiries	18 403 enquiries	48 137 enquiries
8. Social Support services rendered	6 181 times	4 071 times	10 252 times
9. Conversion of non-user to user of Internet access at home	1 166 families	1 185 families	2 351 families

**Breakdown of Expenditure¹ incurred up to September 2012
as reported by eInclusion and WebOrganic**

Implementer	2011-12 (HK\$ million)	2012-13 (HK\$ million) up to Sep 2012	Total (HK\$ million)
eInclusion			
— Programme implementation	12.9	7.7	20.6
- Sale of Internet Access	1.9	0.2	2.1
- Sale of computers	5.0	2.9	7.9
- Training and Technical Support	4.8	4.0	8.8
- Programme Support	1.2	0.6	1.8
— General Administration	1.7	0.7	2.4
Total	14.6	8.4	23.0
WebOrganic			
— Programme implementation	11.1	3.0	14.1
- Sale of Internet Access	(0.3)	0.8	0.5
- Sale of computers	4.0	0.6	4.6
- Training and Technical Support	5.9	0.9	6.8
- Programme Support	1.5	0.7	2.2
— General Administration	2.2	0.7	2.9
Total	13.3	3.7	17.0

¹ The above reflects the actual expenditures of the two implementation agencies. "Accounts payable" and "Accounts receivable" are not included.