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Panel on Information Technology and Broadcasting

Meeting on 10 June 2013

Updated background brief on digital inclusion

Purpose

This paper summarizes previous discussions by Members on issues relating to digital inclusion, with particular focus on the Internet Learning Support Programme ("ILSP").

Background

2. Digital 21 Strategy provides a blueprint for the development of information and communications technology ("ICT")¹ in Hong Kong. Building a digitally inclusive, knowledge-based society is one of the five key action areas promulgated by the Government in its latest version of the 2008 Digital 21 Strategy. One of the Government's priority work focus in this action area is to provide Internet connections to needy groups in the community, thereby bridging the digital divide of the under-privileged groups.

3. A Task Force on Digital Inclusion ("the Task Force") was established in July 2008 under the Digital 21 Strategy Advisory Committee to advise the Government on the formulation of relevant strategies and initiatives on digital inclusion to improve access to ICT facilities and connectivity, ICT skills, and facilitate the development of useful content for the needy groups. In consultation with the Task Force, the Government focused the digital inclusion initiatives in 2011-2012 on three priority groups, namely, students from low-income families, persons with disabilities ("PwDs") and the elderly.

¹ ICT refers to all technologies and applications that involve information processing and/or exchange over communication networks, including the internet.

Highlights of these initiatives include:

- (a) the ILSP;
- (b) Web Accessibility Campaign;
- (c) development of assistive technology for PwDs;
- (d) encouraging ICT adoption among the Elderly;
- (e) District Cyber Centre Pilot Scheme; and
- (f) conducting survey on ICT adoption of under-privileged group.

Internet Learning Support Programme

4. In his 2010-2011 Budget, the Financial Secretary announced a two-pronged strategy to assist students from low-income families to undertake web-based learning at home through provision of an Internet access subsidy and the ILSP which aims at helping eligible families acquire affordable computers and Internet access service and providing them with technical and social support. Following consultation with the Panel on Education, the Administration obtained the approval of the Finance Committee ("FC") for a funding of \$500 million for these two initiatives at its meeting on 28 May 2010. A copy of the Administration's paper submitted to FC is in **Appendix I**.

5. The Office of the Government Chief Information Officer ("OGCIO") launched an open Request for Proposal ("RFP") between May and July 2010 with a view to identifying a non-profit-making organization as implementation agent for the ILSP. Five proposals were received when the RFP closed on 5 July 2010. They were assessed by an Evaluation Panel, led by the Government Chief Information Officer ("GCIO") and comprising representatives of the Education Bureau and the former Office of the Telecommunications Authority ("OFTA")², in accordance with the published process and criteria. The Evaluation Panel completed assessment on different aspects of the proposals, including the proposed operating and financial models, key performance indicators, risk assessment, collaboration with various parties, the expertise, track record and commitment of the proponent and its partners, as well as the arrangements for corporate governance, management and control, and public accountability.

² Pursuant to the Communications Authority Ordinance (Cap 616), with effect from 1 April 2012, all duties and powers of the Telecommunications Authority ("TA") are conferred on the Communications Authority ("CA"), and all duties and powers of OFTA are conferred on the Office of the Communications Authority, the executive arm of the CA.

6. According to the Administration's paper (LC Paper No. CB(1)1023/10-11)(01)) circulated to members of the Panel on Information Technology and Broadcasting ("ITB Panel") on 10 January 2011, upon conclusion of the RFP exercise, the Administration informed the proponents on 22 October 2010 that it would invite the Hong Kong Council of Social Service ("HKCSS") and the eInclusion Foundation Limited ("eInclusion") to explore the possibility of collaboration in jointly establishing a non-profit-making organization to implement the ILSP. In early January 2011, the Administration proposed an alternative collaboration arrangement by engaging HKCSS and eInclusion to implement the ILSP in two geographical zones having regard to the spread of low-income families, with each of them taking up responsibility for one of the zones and OGCIO providing central coordination on matters such as territory-wide promotion, students' eligibility, monitoring and reporting, and other mutual concerns. This arrangement would enable both organizations to leverage their network and management experience to bring benefits to low-income families. The Government would review the implementation arrangements in two years. Both HKCSS and eInclusion had accepted this dual implementer approach.

Discussions at the Panel on Information Technology and Broadcasting

7. The ITB Panel received regular updates from the Administration on the digital inclusion initiatives undertaken by the Government, non-governmental organizations and the private sector in the context of the implementation of the Digital 21 Strategy. Panel members in general considered that more resources should be allocated to drive up ICT adoption and help integrate the needy groups, such as the low-income families with children, PwDs, and the elderly in the digital society. Members also called on the Administration to draw up quantifiable performance indicators and benchmark to measure the progress and effectiveness of the digital inclusion initiatives.

Strengthening support for the elderly and PwDs in ICT adoption

8. At the ITB Panel meeting on 14 May 2012, members noted that the Administration aimed to increase computer and Internet usage rates of the elderly from the current 20% and 18.4% to 25% and 23% respectively by 2014. Some members urged the Administration to set higher performance targets for the elderly group and take proactive steps to meet the targets. They also urged the Administration to strengthen support for PwDs in ICT adoption. The Administration advised that through the "eElderly" portal and other sponsored projects, the Administration was confident that the ICT adoption rate among the elderly would continue to increase. In addition, \$3.6 million had been set aside in 2010-2011 to support the development of

ICT-based assistive tools and applications for PwDs.

Selection process for the Internet Learning Support Programme

9. At the ITB Panel meeting on 14 March 2011, the Administration briefed members on the progress of the Government's digital inclusion initiatives, including the progress of the ILSP. Hon Emily LAU expressed concern about the selection process for the ILSP, in particular the apparent lack of proven track record of one of the selected Implementers, i.e. eInclusion, in providing the services concerned. The Administration advised that under the ILSP, the five proposals received in the RFP exercise were assessed by the Evaluation Panel led by the former GCIO in accordance with the assessment process and criteria approved by FC in May 2010. After rigorous assessment of the proposals, two leading contenders emerged and GCIO concluded that it would be in the best interest of low-income families if the programme could be executed so as to incorporate the best elements of the two leading proposals. As such, GCIO suggested collaboration between the two leading proponents to implement the ILSP as a single implementer. Owing to difficulty in reaching agreement on a collaboration model to co-found an implementation agent to take forward the programme, the Government proposed and both parties agreed to take forward the ILSP as separate Implementers in two separate geographical zones.

10. As Mr Jeremy Godfrey, the former GCIO, alleged that there had been political pressure from senior Government officials to select a designated party as the ILSP Implementer, the ITB Panel held two special meetings on 7 and 16 June 2011 to follow up on the matter. The ITB Panel examined submissions from Mr Godfrey and from the two leading ILSP contenders, as well as papers and documents provided by the Administration, including the reports of the Evaluation Panel for the Implementer of the ILSP and the Government's internal correspondence relating to the selection process. Some members requested that powers to summon witnesses under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) be invoked and a select committee appointed to conduct an inquiry into the matter. Other members, however, said that there was no concrete evidence that there had been a political agenda relating to the selection of the Implementer for the ILSP. At the special meeting of the ITB Panel on 16 June 2011, a motion on the appointment of a select committee to inquire into the matter moved by Mr LEE Wing-tat was negatived. The ITB Panel agreed that the Administration should provide further papers and documents relating to the selection process as requested by members for further examination. The Administration subsequently provided its responses vide LC Paper No. CB(1)2692/10-11(01) and CB(1)2959/10-11(02) on 8 July 2011 and 30 August 2011 respectively.

Implementation of the Internet Learning Support Programme

11. At the ITB Panel meeting on 14 May 2012, members noted that the Government commissioned eInclusion and WebOrganic, formed by the HKCSS, as Implementers in the eastern and western parts of Hong Kong respectively. The ILSP was launched under the brand name "i Learn at home" ("一家一網 e 學習") on 14 July 2011. As at 31 March 2012, 43 378 of the 245 000 eligible families in the 2011-2012 school year had enrolled in the programme and 10 395 of them had received services from the Implementers. Some Panel members noted that the take-up of the programme was slower than originally envisaged. The Administration advised that it had since January 2012 streamlined the enrolment procedures to encourage participation. To monitor the implementation of the programme, OGCIO had entered into Funding and Operation Agreement with the two Implementers, setting out their performance targets, obligations, and governance and accounting requirements, etc. A Programme Steering Committee led by the GCIO and comprising representatives from the Education Bureau and the Social Welfare Department had been set up to monitor programme delivery and resolve matters of common concern. In addition, OGCIO also monitored the programme through regular working level meetings with the Implementers, their regular performance reports with supporting data and statistics, annual business plan and audited accounts, and site visits. OGCIO would conduct a review of the implementation arrangements in mid-2013.

12. Some Panel members expressed concern that there was a visible difference in the performance between the two Implementers of the ILSP. These members urged the Administration to follow up the matter with a view to enhance the overall efficiency of the ILSP. The Administration advised that each of the Implementers had its own strengths and weaknesses. With the accumulation and exchange of experience between the two Implementers, the ILSP was being implemented more smoothly and efficiently. The Administration would continue to work with the Implementers to try to catch up on performance for the remaining term of the ILSP.

13. At the ITB Panel meeting on 14 January 2013, the Administration briefed members on the progress of the implementation of the ILSP and the sourcing arrangement of eInclusion, which was jointly formed by the Boys' & Girls' Clubs Association of Hong Kong ("BGCA") and the Internet Professional Association ("iProA"). Members noted that as at end October 2012, over 62 000 eligible families had enrolled in the ILSP and about 15 000 of them had received services through eInclusion and WebOrganic. Detailed programme performance statistics as reported by eInclusion and WebOrganic are set out in **Appendix II**. Expenditure incurred up to

September 2012 as reported by eInclusion and WebOrganic were \$23 million and \$17 million respectively. A breakdown is given in **Appendix III**. In 2011-2012, on the basis of the cash requirements set out in their business plans and budgets, the Government had allocated \$29.8 million and \$24.7 million to eInclusion and WebOrganic respectively. Due to slower than expected service take-up, the allocated funds 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 2012-2013.

14. Some Panel members expressed concern about media reports on eInclusion's chaotic internal and financial controls. They queried whether eInclusion remained a qualified institution to implement the ILSP. Some other members enquired if the Administration had ascertained that BGCA and iProA had complied with the requirement to keep separate book and bank accounts for the ILSP funds. These members also urged the Administration to ensure the exclusive use of Government funding for the purpose of carrying out activities related to the ILSP. The Administration advised that BGCA had provided the relevant books and bank account information for inspection, whereas iProA had verbally replied that it had kept such information. The Administration was taking follow-up actions in relation to media reports on the internal and financial controls of eInclusion. The investigation would be completed in one to two months and the findings would be reported to members. In addition, the Administration was conducting a comprehensive mid-term review on the ILSP, and would report the findings to the ITB Panel in mid 2013.

Recent developments

15. At the special FC meetings on 10 April 2013, Hon Emily LAU sought information on the Government's effort to encourage the development and application of ICT-related technology for PwDs, and details of the scheme to support the development of mobile applications for under-privileged groups. The Administration's replies are in **Appendices IV and V**.

16. At the ITB Panel's request, the Administration subsequently provided two written responses on the follow-up actions taken in respect of eInclusion's management of ILSP funds, the copies of which are in **Appendices VI and VII**.

Latest position

17. The Administration will update the ITB Panel on 10 June 2013 on the

latest development of various major digital inclusion initiatives and the progress of the implementation of the ILSP.

Relevant papers

18. A list of the relevant papers with their hyperlinks is at:
http://www.legco.gov.hk/yr11-12/english/panels/itb/papers/itb_ea.htm
http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_ea.htm

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For discussion
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ITEM FOR FINANCE COMMITTEE

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY

Subhead 700 General non-recurrent

New Item “Subsidies for Internet Access”

HEAD 47 – GOVERNMENT SECRETARIAT :

OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER

Subhead 700 General non-recurrent

New Item “Internet Access for Needy Students”

Members are invited to approve the creation of –

- (a) a new commitment of \$280 million for providing subsidies for Internet access charges for needy families; and
- (b) a new commitment of \$220 million for facilitating needy students and parents to gain access to the Internet for learning.

PROBLEM

We need to reduce the financial burden of, and provide facilitation to, low-income families in providing their school-age children with access to the Internet at home so that they can undertake web-based learning and research on the Internet.

/PROPOSAL

PROPOSAL

2. The Administration proposes –
- (a) to launch a household-based cash subsidy scheme for Internet access charges in the 2010/11 school year, for two categories of low-income families –
 - (i) at full subsidy rate of \$1,300 for families with children who are full-time students receiving education at primary and secondary levels and who are eligible for the flat-rate grant for School-related Expenses (SRE) under the Comprehensive Social Security Assistance (CSSA) Scheme;
 - (ii) at full subsidy rate of \$1,300 or half subsidy rate of \$650 for families with children who are full-time students receiving education at primary and secondary levels, and who pass the existing means test for receiving financial assistance under the Student Financial Assistance Agency (SFAA). The granting of the full rate or half rate will depend on the result of the means test; and
 - (b) to create a new commitment of \$220 million for the implementation of a five-year Programme to help needy students and parents from low-income families to gain access to the Internet for learning by providing economical Internet access services, suitable computers and necessary complementary services such as training and technical support.

JUSTIFICATION**Provision of convenient and suitable Internet learning opportunities**

3. In the 2009-10 Policy Address, the Chief Executive announced that as the younger generation increasingly uses the Internet and electronic tools in their learning activities in this digital age, convenient and suitable Internet learning opportunities should be provided for students in need through tripartite collaboration between the community, the business sector and the Government in order to mitigate the impact of the digital divide on the quality of learning.

/4.

4. According to the latest findings from a survey on the usage of Internet amongst low-income families, the broadband penetration rate of low-income families with children in primary and secondary schools, i.e., CSSA families with school-age children and families receiving student financial assistance, is about 87%¹. The main reasons for these families getting online are that the children need Internet access to allow them to do schoolwork, or that the children have asked to get online. By contrast, the broadband penetration rate for low-income families without children is under 30%. It is reasonable to conclude from this evidence that education is the primary motivator for families with children to get online.

5. Low-income families which do not subscribe to Internet service have similar income levels as those families who are online and have an accurate perception of the price of Internet access. However, the parents are less likely to perceive the educational value of being online and are more likely to be concerned about the possible downsides. They are also concerned about the cost of obtaining a computer. Indeed, some families have had to give up Internet service when their computer broke down as they do not have the financial resources or technical expertise to have it repaired, fixed or replaced.

6. The Government proposes to adopt a holistic approach to provide students from low-income families with Internet learning opportunities. Specifically, we propose to grant these families a subsidy for Internet access charges and provide training and technical support to address their concerns, whilst encouraging the market to provide students in these families with an option of economical Internet services. To this end, the Financial Secretary (FS) proposed in his 2010-11 Budget that we should adopt a two-pronged approach to help primary and secondary school students from low-income families with Internet learning. We will grant them a subsidy for Internet access charges, and collaborate with private service providers and community organisations to provide economical Internet services and computer hardware, and complementary services such as parent education and technical support.

/Household

¹ Latest findings in the final report of the survey conducted by Policy 21 and The University of Hong Kong dated February 2010 indicated that 92.3% of families receiving half grant school textbook assistance have Internet connection at home, whereas 76.9% of the families receiving full grant school textbook assistance or CSSA have Internet access at home. A weighted average of the findings suggests 87% broadband Internet penetration amongst low-income families which was lower than the 92% penetration from the Interim report of the survey.

Household-based subsidy scheme for Internet access charges

7. In this digital age, web-based learning and research on the Internet have become an integral part of education. The use of the Internet is considered to be conducive to students' learning. Alongside the wide use of the Internet in teaching and learning in schools, access to the Internet at home has become widespread. Students can now search for information, complete their homework, maintain their social networks, acquire knowledge and understand the world with Internet access at home. This has become increasingly a way of life for students.

8. To help students from low-income families to access the Internet after school, the Administration has made continuous efforts to introduce measures to help these students gain access to computers and the Internet. These include disbursement of recurrent subsidies to schools to open their computer rooms for use by students after school; implementation of the Computer Recycling Programme to provide students from CSSA families and students receiving assistance under the School Textbook Assistance Scheme administered by SFAA with recycled computers and one year's free Internet connection; launching a pilot District Cyber Centre Scheme by the Office of the Government Chief Information Officer (OGCIO), which includes lending laptop computers with free wireless Internet access to students in need. These initiatives have helped more students from low-income families to gain access to the Internet. Nevertheless, there remains a group of students who are digitally excluded.

9. Recognising that Internet access at home is becoming as important as other learning resources and that students from low-income families should be supported on access to Internet learning opportunities at home, we propose that a new subsidy scheme should be implemented in the 2010/11 school year to provide a subsidy for Internet access charges as follows –

- (a) full subsidy rate of \$1,300 for families with children who are full-time students receiving education at primary and secondary levels and who are eligible for the flat-rate grant for SRE under the CSSA Scheme; and
- (b) full subsidy rate of \$1,300 or half subsidy rate of \$650 for families with children who are full-time students receiving education at primary and secondary levels, and who pass the existing means test for receiving financial assistance under SFAA². The granting of the full rate or half rate will depend on the result of the means test.

/10.

² These families are those who pass the existing means test of SFAA and whose children are full-time students receiving education at primary or secondary level, or full-time students pursuing Project Yi Jin Programmes or equivalent courses of the Vocational Training Council.

10. We propose that the subsidy should be granted on a household and non-accountable basis, such that parents can use the subsidy flexibly to acquire Internet access services that best meet their children's learning needs. The Social Welfare Department (SWD) and SFAA will be responsible for disbursement of the proposed subsidy to these two categories of eligible families respectively.

11. The proposed full subsidy rate of \$1,300 for Internet access charges for the 2010/11 school year is set with reference to the prevailing market prices of Internet access services. We plan to provide the subsidy scheme initially through a commitment to be created for the school year 2010/11 and thereafter on a recurrent basis. We would review the subsidy rate in each school year with reference to the latest prices of Internet access services in the market, including the prices of the relevant Internet access services offered by the non-profit-making organisation discussed in paragraph 14 after it has come into operation. The Secretary for Education will determine the level of the subsidy in each school year on that basis.

12. We estimate that around 300 000 low-income families can benefit from the proposed subsidy scheme in the 2010/11 school year, including 80 000 CSSA families and 220 000 families passing the existing means test of SFAA. The number of students who can benefit from the proposed subsidy scheme in the 2010/11 school year will be around 410 000, including around 120 000 CSSA students and around 290 000 students eligible for financial assistance from SFAA. The proposed subsidy will be able to reduce the burden of the low-income families in meeting the Internet access charges for e-learning at home for their children.

Facilitating students and parents to access the Internet for learning

13. In order to increase the take-up of e-learning at home by students from low-income families, we propose a five-year programme (the Programme) to help these families acquire suitable and affordable computers and economical Internet access, and to provide the necessary training and technical support to the students and their parents.

14. The Programme aims at helping students from the families eligible for the proposed subsidy scheme, especially those who currently do not have Internet connection at home, to gain access to the Internet. The Programme will be managed by a non-profit-making organisation which will work closely with community organisations, educators, Internet service providers (ISPs), IT suppliers and government agencies, to –

/(a)

- (a) identify needy students' Internet learning needs; and
 - (b) make available, by making use of existing facilities and services of government departments and non-governmental organisations where possible –
 - (i) affordable Internet access services and computers; and
 - (ii) training and technical support
- to the target families in a cost-effective manner.

Affordable Internet access and computers

15. There is currently a wide range of prices for Internet access. In locations where competition is intense, one is currently able to access the Internet for under \$100 a month. However, those in other locations are paying over \$200 a month. Based on consultations with ISPs, we consider there is scope both to achieve lower prices for low-income families and to reduce the price disparities between different locations. This could be achieved by developing a mechanism with ISPs to serve low-income families on a marginal cost basis, without disrupting the mainstream Internet market, and by working with them to reduce the costs of sales and marketing and supporting the customers. The non-profit-making organisation will facilitate access by ISPs and IT suppliers to the low-income market segment by performing the role of, for instance, a reseller or a sales channel for internet access and computers, depending on the outcome of its discussions with the industry.

Training and technical support

16. Apart from the cost of Internet access and computers, the limited knowledge of parents from low-income families about the Internet and the lack of technical support for them also inhibit their children's learning through the Internet. These parents are also concerned about the possible negative effects of the Internet such as Internet addiction. Hence, suitable guidance should be provided for them and their children on the healthy and safe use of the Internet. We consider that these concerns have to be addressed through the concerted efforts of all the parties concerned, including schools, parents, the community and the Government.

17. The non-profit-making organisation will design tailor-made training programmes to enhance the technical know-how of parents and students from low-income families and their knowledge about the safe and healthy use of the Internet, building on the experience of various Internet education initiatives organised by OGCIIO and community organisations to-date, and making use of the resources that have been developed. That will help foster a better Internet culture and will encourage the take-up of Internet-based learning among the low-income families that currently do not have Internet connection at home.

Benefits of engaging a non-profit-making organisation

18. The non-profit-making organisation will operate as a business entity so that it can implement the Programme with maximum flexibility. It can work with ISPs/IT suppliers and community organisations to develop affordable and flexible product and service solutions in a more effective manner. The organisation can also seek sponsorships or donations where appropriate.

Selection and governance of the non-profit-making organisation

19. OGCIIO has invited interested organisations to submit proposals to implement the Programme. The proposals will be evaluated through an open and fair process by an evaluation panel led by Government Chief Information Officer and comprising representatives from the Education Bureau, the Office of Telecommunications Authority and OGCIIO as members.

20. The Request For Proposal (RFP) issued by OGCIIO has clearly stipulated the information to be provided, including the proposed operating and financial models, key performance indicators, risk assessment, collaboration with various parties, as well as the expertise, track record and commitment of the non-profit-making organisation and other parties involved. The following aspects of the proposals will be assessed –

- (a) in respect of the proposed non-profit-making organisation and other parties involved –
 - (i) business skills required to develop the necessary product and service offerings;
 - (ii) knowledge and understanding of the learning needs of children from the target low-income families;

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- (iii) capability of managing and sustaining a business start-up of comparable target market and turnover in relevant industries or businesses;
 - (iv) experience of managing a project involving substantial public money;
 - (v) ability to work with non-governmental organisations and government departments in the sale and marketing of the organisation's services;
 - (vi) ability to work with ISPs and IT suppliers; and
 - (vii) ability to work with district and community service networks to provide services in, for example, distributing computers, providing technical support and Internet education.
- (b) in respect of the implementation of the proposal –
- (i) delivery against Programme objectives;
 - (ii) cost effectiveness of operation and financial management of the Programme;
 - (iii) governance mechanism for the Programme and for the non-profit-making organisation ;
 - (iv) effectiveness of relationship management among the parties involved in the Programme; and
 - (v) risk management of the Programme.

21. The proposal should also describe the constituents of the governing body of the non-profit-making organisation, how it will be formed, as well as the arrangements for corporate governance, management and control, and public accountability. The non-profit-making organisation would operate as an independent legal entity and would be allowed flexibility in planning and operating its services and resources. It is expected to be a limited company under the Company Ordinance and shall satisfy the provisions for being exempted from tax under Section 88 of the Inland Revenue Ordinance.

Control and Review Mechanism

22. It is important that public money will be used properly, effectively and solely for the Programme objectives. OGCIO will enter into a legally binding funding and operation agreement with the organisation, stipulating the terms and conditions under which the Government will provide funding support to the non-profit-making organisation to implement the Programme and how the performance of the Programme will be measured, reviewed, and publicly accounted for. The organisation will be required to submit business plans to outline the use of government funding with defined time frame, missions, deliverables, performance indicators, staffing structures etc. for Government approval before disbursement of funds. The following measures will also be put in place to govern the performance of the organisation –

- (a) setting up a Board of Directors (Board) that has the relevant expertise and an appropriate number of independent Directors. The Board will be responsible for corporate governance and overall performance management of the organisation;
- (b) the organisation is required to submit annual business plan, budget, audited financial account and performance report, etc. for Government review and approval. Annual allocation of funding support is subject to the acceptance of the above annual reports by the Government. The annual audited financial and performance report will be published for public review; and
- (c) the organisation will be subject to value for money audits by the Audit Commission and compliance checks by the Independent Commission Against Corruption.

23. The Programme will operate for five years. We will review at least annually the operational and financial performance of the Programme and the non-profit-making organisation, as well as the prevailing online learning needs of the low-income families. A mid-term review will also be conducted around the end of the third year of implementation of the Programme to facilitate assessment and planning on the way forward beyond the five-year Programme. Regular progress reports will be provided to the Information Technology and Broadcasting Panel to keep Members abreast of the implementation progress of the Programme and operational performance of the organisation.

/FINANCIAL

FINANCIAL IMPLICATIONS

Household-based subsidy scheme for Internet access charges

24. Based on the proposed subsidy rate in the 2010/11 school year and the estimated number of families benefitted in paragraph 12 above, the estimated expenditure required for disbursement of the subsidy for Internet access charges in the 2010/11 school year is \$280 million, including \$98 million for CSSA families and \$182 million for families passing the means test of SFAA. The financial implications for subsequent school years will depend on the subsidy rate and the number of beneficiaries. SWD and SFAA would review the need for strengthening staff resources for administering the new subsidy scheme on a recurrent basis in light of practical experience. The resources required will be reflected in the Estimates of the relevant years.

Facilitating the students and parents to access the Internet for learning

25. We estimate that the Programme, proposed to be implemented during 2011-12 to 2015-16, for facilitating access by the students from low-income families to the Internet for learning will require a non-recurrent expenditure of \$220 million. This will be used to provide start-up funding for the non-profit-making organisation responsible for implementing the Programme as mentioned in paragraphs 13 to 17 above. Where applicable, the non-profit-making organisation will collaborate, through an open and fair process, with relevant non-governmental organisations and the private sector.

26. The Board of the non-profit-making organisation will determine the detailed arrangements for its activities and the precise allocation of funds amongst different areas of the Programme in the light of the outcome of its commercial negotiations and collaborations with ISPs and IT suppliers, the evolution of market needs, its own business plans and comments of the OGCIO. The non-profit-making organisation will have flexibility in its operation as long as the objectives of the Programme could be achieved in a cost-effective manner³.

27. For the purpose of budgetary planning, we have made certain assumptions about the future operation of the organisation and drawn up an indicative allocation of funds and cash flow requirements for the Programme as follows. The exact allocation of resources for achieving the objectives will be determined by the Board of the non-profit-making organisation –

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³ This flexibility will be subject to the requirement to submit its business plan and budget for Government approval.

	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	Total \$'000
(a) Cost to facilitate low-cost Internet access		7,200	7,200	7,200	7,200	7,200	36,000
(b) Cost to facilitate the acquisition of affordable computers		34,000	36,200	4,600	4,600	4,600	84,000
(c) Training and technical support		25,000	10,000	10,000	10,000	10,000	65,000
(d) Programme support costs	800	3,000	2,300	2,900	2,300	1,200	12,500
(e) General administration expenses including Programme set-up and preparation cost	2,500	4,000	4,000	4,000	4,000	4,000	22,500
Total	3,300	73,200	59,700	28,700	28,100	27,000	220,000

28. On paragraph 27(a) above, the \$36 million is the amount assumed for facilitating the provision of affordable Internet access services as described in paragraph 15 above. The planning assumption is that the organisation will procure wholesale Internet access services from one or more ISPs and offer a territory-wide service at an affordable price to all needy families⁴. The non-profit-making organisation may make different arrangements for the delivery of economical Internet access, e.g. by encouraging ISPs to offer such packages directly to low-income families – as long as the objectives of the Programme could be achieved more cost-effectively.

29. On paragraph 27(b) above, the \$84 million is the amount assumed for facilitating the provision of affordable computers to needy students. The planning assumption is that the non-profit-making organisation will collaborate with private sector and community organisations to make available economical and suitable

/computers

⁴ Based on indications of the wholesale price that the Government has received from a variety of fixed and wireless ISPs, we have made the planning assumptions that the non-profit-making organisation will be able to cover its costs in serving the families living in the 90% of the buildings served by more than one fixed-line ISP, but that the non-profit-making organisation may need to make an allocation of \$36 million from the start-up funding provided by the Government so that it can provide service to all the target families.

computers to the needy students through affordable acquisition options, for example, lease-to-own. The provision is earmarked for meeting the cost that may be incurred in facilitating options made by partners to the needy students in acquiring economical computers. We expect that the Programme would make available one computer during the five years for acquisition by each of the initial target group of 410 000 students, as well as for an additional 112 000 students⁵ from low income families who may become eligible in the following four years. For the purpose of estimation, we assume that the unit cost of computer is \$2,200, the facilitation cost is around 3.75% per student each year for two years (one year in the case of the addition in 2015-16). The facilitation cost for the initial target group will be incurred in 2011-12 and 2012-13 and that for the additional students will be incurred starting from 2012-13.

30. On paragraph 27(c) above, the \$65 million is the amount assumed for providing training and technical support to parents and students of low-income families on the safe, healthy and technically sound use of computers and the Internet for learning. Such training and support may be provided in the form of workshops, support hotline and technical support home visits. The estimate is drawn from the experience from the earlier Internet Education Campaign.

31. On paragraph 27(d) above, the \$12.5 million is the amount assumed for meeting the costs over five years for communicating and marketing of the Programme and the products and services offered to the target families and students, for professional services for procurement and contract management, and conducting annual market research and surveys on the Internet support needs of the families and students as well as benchmarking the performance of the Programme to facilitate services development, including a mid-term review during the third year of the Programme.

32. On paragraph 27(e) above, the \$22.5 million is the amount assumed for the start-up expenses incurred by the organisation in the first year (\$2.5 million) and the general administration expenses (\$4 million each year), which comprise office setup expenses, recruitment expenses, initial working capital, staff cost and professional services. We expect this amount to be the maximum administration expenses to be incurred for the Programme.

/33.

⁵ The estimates is based on the projected new addition of school aged children from 2012/13 to 2015/16 who will be eligible for CSSA, full grant and half grant STA.

33. The actual funding and cash flow requirement for the Programme will be subject to the business proposal and operation solution selected as a result of the RFP, as well as the subsequent funding agreement to be entered with the non-profit-making organisation. OGCIIO will review the cash flow requirement in the light of the annual business plan prepared by the selected non-profit-making organisation for the Programme, and the actual service demand. Subject to the administration expenses ceiling referred to in paragraph 32 above, the non-profit-making organisation would flexibly deploy its start-up funding and fine-tune its activities so that it would be able to enhance the support to be provided for Internet learning.

34. OGCIIO would require strengthening of staff resources for overseeing the development and operation of the Programme. Resources required from OGCIIO to oversee the start-up and during the five years of the Programme will be reflected in the Estimates of the relevant years.

IMPLEMENTATION PLAN

Household-based subsidy scheme for Internet access charges

35. Assuming that the proposal is approved by the Finance Committee (FC) in May 2010, SFAA will start to disburse the subsidy to eligible families as from late August 2010. SWD will also arrange for disbursement of the subsidy to eligible CSSA families in August 2010.

Facilitating the students and parents to access the Internet for learning

36. OGCIIO issued the RFP in mid May 2010 to invite proposals from interested parties. The deadline for submission of proposal is 5 July 2010. The evaluation panel plans to select a proposal in late September 2010.

37. We expect the selected organisation to commence discussion with ISPs/IT suppliers and community organisations as soon as possible after the selection and submit a funding proposal for consideration by OGCIIO. We aim to conclude the funding and operation agreement by end of 2010 and expect the non-profit-making organisation to launch its services as soon as possible, but no later than at the beginning of the 2011/12 school year. The proposed implementation plan is as follows –

/Activities

Activities	Target Completion
(a) Submission of proposals	by July 2010
(b) Selection of proposal	by September 2010
(c) Conclusion of funding and operation agreement	by December 2010
(d) Rollout of services to low-income families	by September 2011

We will update the Information Technology and Broadcasting Panel on the latest development after the funding and operation agreement is concluded with the selected organisation, and on the implementation progress of the Programme after the rollout of services to low-income families.

PUBLIC CONSULTATION

38. We consulted the Education Panel of the Legislative Council on the proposals on 12 April 2010. Members were generally supportive of the proposals and raised no objection to submission of the proposals to FC for funding approval.

BACKGROUND

39. In the 2010-11 Budget, FS proposed to dedicate \$500 million as the start-up capital for the provision of convenient and suitable Internet learning opportunities to students in need. It was proposed that a two-pronged approach be adopted to help primary and secondary school students from low-income families with Internet learning, through granting them a subsidy for Internet access charges, and encouraging the market to provide them with economical Internet services.

Education Bureau
Office of the Government Chief Information Officer
May 2010

**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.

Examination of Estimates of Expenditure 2013-14**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

CEDB(CT)086

Question Serial No

1044

Head: 47 – Government Secretariat : Subhead (No. & title):
Office of the Government Chief
Information Officer

Programme: (3) IT in the Community

Controlling Officer: Government Chief Information Officer

Director of Bureau: Secretary for Commerce and Economic Development

Question: Please provide details on the Government's efforts to encourage the development and application of ICT-related assistive technology for persons with disabilities in each of the past 3 years (i.e. 2010-11, 2011-12 and 2012-13), including expenditure, progress, effectiveness and ways to encourage development, etc. Does the Government assess whether the budget in this regard is sufficient? What are the budget and work direction for 2013-14? Does the Government provide the persons with disabilities with financial support for using these research deliverables?

Asked by: Hon. LAU Wai-hing, Emily

Reply: To promote wider adoption of information and communications technology (ICT) by persons with disabilities and encourage the development of ICT-based assistive tools and applications for them, the Office of the Government Chief Information Officer (OGCIO) implemented the following measures in the past 3 years:

In 2010-11, we provided funding support of \$0.4 million for a social service organisation to organise a forum on ICT adoption for persons with disabilities to share experience and exchange ideas on how to support ICT adoption among persons with disabilities and develop assistive technologies and applications to address their needs. Over 200 participants from local and overseas organisations attended the forum.

In 2011-12, we implemented the "Development of Assistive Technology for Persons with Disabilities Fund" to support the development of ICT assistive tools and applications for persons with disabilities. The 9 funded projects were completed in April 2012 and the products are available for free download, distribution to needy groups or further development. We organised an exhibition in May 2012 to showcase and promote these 9 products with a view to driving their adoption by potential users. The products were well-received by users and achieved industry recognition. One of the products won an international ICT award. The total expenditure of this funding scheme was \$3.43 million.

In 2012-13 and 2013-14, we launched the "Sponsorship Scheme on Development of Digital Inclusion Mobile Applications" to encourage the local industry to develop mobile applications and websites with appropriate contents and services that cater for the needs of under-privileged groups, and to help persons with disabilities and other under-privileged groups enhance their quality of life through the adoption of ICT. From the 45 proposals received, we selected 7 proposals for funding support. Development work will complete by

the end of 2013 and the applications will be available for free use. The expenditure of this scheme in 2012-13 and 2013-14 are \$0.34 million and \$2.46 million respectively.

Name in block letters: Daniel LAI

Post Title: Government Chief Information Officer

Date: 8.4.2013

Examination of Estimates of Expenditure 2013-14

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

CEDB(CT)083

Question Serial No

1041

Head: 47 – Government Secretariat : Subhead (No. & title):
Office of the Government Chief
Information Officer

Programme: (3) IT in the Community

Controlling Officer: Government Chief Information Officer

Director of Bureau: Secretary for Commerce and Economic Development

Question: The Administration mentioned that the Office of the Government Chief Information Officer (OGCIO) launched a scheme to support the development of mobile applications for under-privileged groups in 2012-13. What is the expenditure involved? What are the specific details and contents? It is mentioned in Matters Requiring Special Attention that the OGCIO will continue to support the development of mobile applications for under-privileged groups in 2013-14. What is the expenditure involved? What are the specific details and contents?

Asked by: Hon. LAU Wai-hing, Emily

Reply: The Office of the Government Chief Information Officer launched the “Sponsorship Scheme on Development of Digital Inclusion Mobile Application” in October 2012, aiming at encouraging the local industry to develop mobile applications that cater for the needs of under-privileged groups, with a view to helping the under-privileged groups enhance their quality of life through the adoption of information and communications technology. We invited proposals from 31 October to 31 December 2012 and a total of 45 proposals were received. After assessment, the following 7 proposals were selected for funding support :

Project description	Applicant organisation	Funding amount (\$'000)
Provide training kits and a publishing platform of educational resources for students with cognitive disabilities	The Hong Kong Lutheran Social Service	178
Provide social learning educational kits for children with autism spectrum disorder	The Spastics Association of Hong Kong	210
Provide Cantonese speech recognition training kits for children with hearing impairment	The Hong Kong Society for the Deaf	216
Provide a barrier-free travel guide for persons with disabilities, detailing the accessibility facilities in tourists spots of Hong Kong	The Hong Kong Federation of Handicapped Youth	285
Provide Chinese vocabularies and Cantonese pronunciation service for ethnic minorities	The Yang Memorial Methodist Social Service	338
Provide a platform for the elderly to search activities in over 190 local elderly centres	The Hong Kong Society for the Aged	377

Project description	Applicant organisation	Funding amount (\$'000)
Provide speech augmented map information and indoor venue facility information to visually impaired persons	The Hong Kong Blind Union	393
	Total:	1,997

The development work will be completed within 2013 and the applications will be available for free download and use.

The expenditure of this scheme in 2012-13 is \$340,000, including manpower cost, promotional expenses and cost of testing devices. The estimated expenditure in 2013-14 is \$2.46 million, mainly for funding individual projects.

Name in block letters: Daniel LAI
Post Title: Government Chief Information Officer
Date: 8.4.2013

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OFFICE OF THE
GOVERNMENT CHIEF INFORMATION OFFICER
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6 March 2013

Ms Yue Tin-po,
Clerk to Panel
on Information Technology and Broadcasting,
Legislative Council Secretariat,
Legislative Council,
1 Legislative Council Road,
Hong Kong

Dear Tin-po,

**Implementation of the Internet Learning Support Programme (ILSP)
by eInclusion Foundation Limited (eInclusion)**

At Panel meeting on 14 January 2013 to discuss the "Implementation of ILSP by eInclusion", Members requested information on the Administration's monitoring of eInclusion's management of ILSP funds.

As discussed at the meeting, we had been seeking clarifications with eInclusion on its financial and internal control arrangements. Our subsequent correspondences with eInclusion revealed that there are inadequacies in eInclusion's custody and management of ILSP funds and that eInclusion had breached the provisions in the Funding and Operation Agreement (F&OA) between the Government and eInclusion. Having considered the nature of the breaches, we informed eInclusion on 19 February that the Government will terminate its service with effect from 19 May 2013 in accordance with the F&OA.

The Boys' & Girls' Club Association (BGCA) is a guarantor of eInclusion's performance under the F&OA. It has been responsible for providing frontline services to the beneficiaries since Programme launch and hence has full knowledge of the Programme and the needs of various stakeholders. An established non-governmental organisation with more than 70 years of experience in the provision of youth-related social services, it has the network and expertise to provide support to students from low-income families and their parents. It is also familiar with the safeguards and governance necessary for the management of public funds. We have therefore appointed BGCA in accordance with the F&OA to continue to implement the Programme in the eastern part of Hong Kong to minimise impacts on the service beneficiaries.

We are now working closely together with eInclusion and BGCA to ensure smooth transition and service continuity. We will update the Panel in June 2013 on the outcome of the mid-term review.

Yours sincerely,



(Miss Joey Lam)
for Government Chief Information Officer

香港特別行政區政府

政府資訊科技總監
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OFFICE OF THE
GOVERNMENT CHIEF INFORMATION OFFICER

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7 May 2013

Ms Yue Tin-po,
Clerk to Panel
on Information Technology and Broadcasting,
Legislative Council Secretariat,
Legislative Council,
1 Legislative Council Road,
Hong Kong

Dear *Tin-po,*

Panel on Information Technology and Broadcasting

**Implementation of the Internet Learning Support Programme (ILSP)
by eInclusion Foundation Limited (eInclusion)**

Thank you for your letter of 18 March 2013 enclosing Hon Charles Mok's request for further information on the follow-up actions taken in respect of eInclusion.

As explained in our letter of 6 March 2013, the Government had been working very closely with eInclusion on measures to improve its corporate governance and financial management, and had set out a number of requirements for eInclusion, including —

- (a) ensuring its service providers use a separate bank account for ILSP funding;
- (b) submitting a detailed work plan for direct engagement of a service provider; and
- (c) providing records of governance arrangements and practices.

Nonetheless, further deliberations with eInclusion revealed that eInclusion has breached the provisions of its Funding & Operation Agreement (F&OA) with the Government. We have subsequently taken necessary action to terminate the F&OA with eInclusion and requested the Boys' & Girls' Clubs Association of Hong Kong (BGCA), which is a guarantor of eInclusion under the F&OA, to take over the implementation of ILSP in the eastern part of Hong Kong in accordance with the F&OA. Apart from the breaches, which are mismanagement and inattentiveness in nature, we have not observed anything untoward in eInclusion's accounts or activities. This notwithstanding, we will take action according to the law if any irregularity transpires.

Termination of the Agreement with eInclusion and subsequent appointment of BGCA is a contract management matter and we consider it inappropriate to divulge the exchange of correspondence between the Government and eInclusion. We will report to the Panel the outcome of the Mid-term Review, including the funding and financial positions of the Programme.

Yours sincerely,



(Miss Joey Lam)
for Government Chief Information Officer