

TERMS OF REFERENCE

Improving digital readiness of NZ small and medium business

[DATE]

The New Zealand Ministry of Business, Innovation and Employment (MBIE) (“the Ministry”) and Microsoft New Zealand Ltd., and its affiliates (“Microsoft”), (“the Parties”) wish to progress a lighthouse programme of work designed to improve the digital skills and capabilities of New Zealand small and medium businesses and transform the way the Ministry and other organisations support them in the future.

Small Business LIGHTHOUSE VISION

The Small Business Lighthouse Vision is about:

Unlocking the true economic potential for the New Zealand Small Business community by empowering their digitisation, and creating a trusted data sharing network for personalised guidance, reduced compliance complexity, and increased business opportunities.

Small businesses are an engine for innovation and growth, supporting our communities and creating 60% of new job types.

Society has increasing expectations on how these businesses keep people healthy and safe. We need our businesses to be increasingly productive and sustainable in fair markets that thrive.

This inevitably leads to increasing compliance and competitive demands for small business owners, most of whom are already struggling with long to-do lists, stress and the fallout from Covid-19.

A key challenge for small businesses is that they generally do not have access to expert support and systems like big business. Instead, they try to figure out things for themselves, typically after hours while juggling family etc. Consequently, they often miss things or get them wrong – leading to mental health problems, lower compliance, productivity and revenue.

Empowering Small Business Digitisation:

As a world leader and major provider of digital productivity tools and education, Microsoft can make a significant contribution to the Government’s efforts to accelerate the digitisation of New Zealand small businesses. Working in collaboration with the Government’s Small Business Digital Enablement Programme (Digital Boost), Microsoft can promote the uptake of cloud computing and digital ways of working for small businesses.

Trusted Data Sharing Network – and the provision of support, advice and opportunities for small business – the bigger long-term ambition:

Once digitised, New Zealand small businesses will still need access to tailored, trusted support and guidance if they are going to be able to effectively manage their business sustainably – further supporting the future vision of New Zealand that we share. This guidance will inherently come from across a complex collaborative environment, a mix of public/private entities – yet needs to be joined up and tailored if our diverse, busy small businesses are going to benefit from it.

In line with the government's [Strategy for a Digital Public Service](#), we see an effective means to achieve this is to transform the way we interact with them and their partners through more effective use of the data that is available. Leveraging modern technology capabilities, we can focus on removing barriers, time, confusion, and complexity with the ways they interact with government, and more, including more targeted guidance, simpler more transparent compliance paths, and seamless consolidated *cross-public/private* workflows.

Underpinning this modern data value creation is a need for trusted and transparent access to the right data.

[Gartner](#) states that underpinning all of this is a need for:

*establishing TRUST-based mechanisms and
preparing a data-sharing environment*

Project 'B' in these TOR describes how the initial proof of concept (POC) will be developed to look at the technologies, skills, processes, and policies that will be needed to provide the trust-based mechanisms and data-sharing environment to underpin the ecosystem and allow the above vision to thrive.

The key outcome of the POC will be a demonstration of the stakeholder experience of the trust-based mechanism and the evidence needed (a report) for developing the Business Case to proceed with the Small Business Lighthouse Vision realisation.

Project "B" is to develop the proof of concept (POC) to prove the value of establishing a TRUST-based mechanism and a DATA-sharing environment, and to identify the patterns, people, process, and policy that are needed to be wrapped around it.

What is beyond the 'proof of concept'?

The wider vision of this Lighthouse initiative goes beyond a data-sharing collaborative for Small Business transformation. It has the potential for a government system-wide change that will allow for collaboratives in other sectors (e.g. environment, and social) to leverage the learnings and capabilities of the trust-based mechanism and data-sharing environment established here.

Thus, the stakeholder list could be extremely long, and will extend well beyond government to sector, industry, and NGO stakeholders.

For the POC we will need to keep the focus on the Small Business collaborative stakeholders.

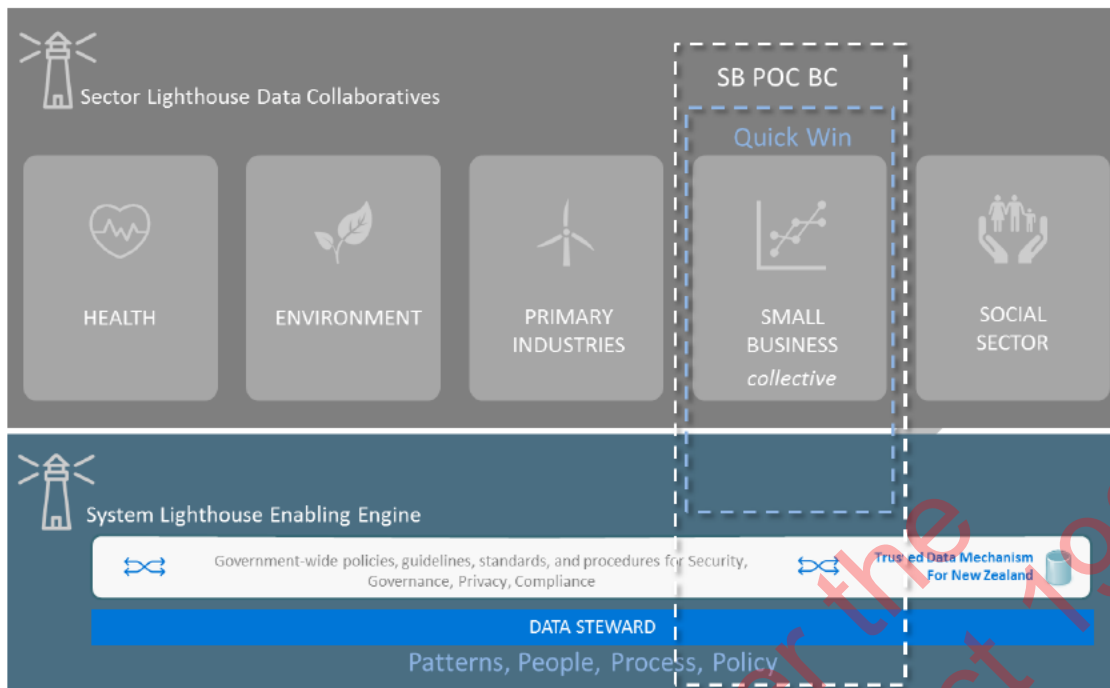


Figure 1 Establishing a pattern of a TRUST-based mechanism and a DATA-sharing environment that can be repeated

BACKGROUND

GCDO MoU with Microsoft

The background to this work is a Memorandum of Understanding (MoU) between the NZ Government Chief Digital Officer (GCDO) and Microsoft, signed in February 2020, that commits them to work together to identify “lighthouse” project opportunities. In the MoU, a lighthouse project is defined as one which:

- is important to the Government, the Lead Agency and to Microsoft;
- both parties have the capability and expertise, and the resources to allocate, to support; and
- is transformational and innovative in the way in which it can address important issues, and deliver benefits, for New Zealand and New Zealanders.

Aligning with wider agendas

In assessing whether a project is suitable for further scoping, the parties will look to align the proposed project against:

- Treasury’s [Living Standards Framework](#) and, in particular, evaluate the project against the four capitals that generate future wellbeing:
 - Natural capital;
 - Human capital;
 - Financial and physical capital;
 - Social capital.
- The NZ Government digital agendas, including:

- [Strategy for a Digital Public Service](#)
- [Declaration on Open and Transparent Government](#)
- [Data strategy and roadmap](#)
- [The Digital Inclusion Blueprint](#)
- [Privacy Act 2020](#)
- [Public Records Act 2005](#)
- [Integrated Data Initiative](#)
- Other initiatives including:
 - [Open Data Institute](#)
 - [GovLab](#) including;
 - [The GovLab Projects](#)
- The Ministry and Microsoft's AI ethics commitments, including:
 - [Algorithm charter for Aotearoa New Zealand](#) (the Ministry)
 - [Responsible AI principles from Microsoft](#) (Microsoft)

MBIE/Microsoft discussions to date

The GCDO/Microsoft MoU includes the following initial description of this lighthouse programme of work:

The GCDO, working closely with the Ministry of Business, Innovation and Employment, will facilitate a range of agencies to work with Microsoft, and appropriate third party stakeholders, to investigate creating a program which supports government aspirations to improve the readiness of New Zealand small and medium sized businesses to successfully cope with digital disruption and transformation and enable New Zealanders to acquire the skills they will require to successfully participate in the workforce in the future.

Based on this, discussions leading to these Terms of Reference have clarified that the Parties will focus on improving the digital readiness of businesses themselves, with the digital skills requirements of New Zealanders being addressed through other government programmes (e.g. DigitalBoost). Consequently, the Parties now wish to proceed with two projects: **Project A** (Small Business Digital Skills for the Future), and **Project B** (POC: Future Government Digital Engagement with Business).

PURPOSE

This document sets out the project Terms of Reference (TOR). These define:

- Parties to the programme and projects.
- Guiding principles
- Project definitions
- Project objectives
- Programme approach: phasing and resources
- Governance

- Term and termination
- Costs
- Intellectual property
- Appendix – project descriptions

Parties

MBIE and Microsoft are the primary parties in the work described in these TOR. They foresee that successful delivery of the work will require collaborative involvement of a wide range of stakeholders.

Guiding principles

The principles that will guide and underpin the success of the joint work are openness, transparency, trust, mutuality, dialogue, collaboration, adaptability, risk management and accountability. The Parties will also support MBIE's values:

- Māia – Bold & Brave
- Mahi Tahi - Better Together
- Pae Kahurangi – Build Our Future
- Pono me te Tika – Own It

The Ministry is committed to the principles of *Te Tiriti o Waitangi / Treaty of Waitangi* and working with Māori to consult and co-design policy or interventions that comply with those principles. The Parties will seek guidance from Te Kupenga (MBIE's Māori Economic Development Unit) as appropriate.

Project definitions

Project 'A' (Small Business Digital Skills for the Future) focuses on delivering immediate value for NZ small and medium businesses through the role Microsoft can play in supporting MBIE's [Small Business Digital Boost™](#).

Project 'B' (POC: Future of Government Digital Engagement with Business) focuses on the POC looking at the technologies, skills, processes, and policies that will be needed to underpin the environment to allow the [Small Business Lighthouse Vision](#) to thrive. It will also look at example digital scenarios that would now be possible with this.

High-level descriptions of each project are set out in Appendix 1.

Programme objectives

The Parties intend that this programme of work supports government aspirations to improve the readiness of New Zealand small and medium sized businesses to successfully cope with digital disruption.

The Parties also intend that this programme is to act as a "lighthouse" example, for both the public and private sector, of the transformational opportunities enabled by adoption of advanced digital capabilities for better data governance and use. In particular, MBIE intends that Project B should serve as a proof-of-concept for how government can create the digital Public Service ecosystem to achieve a more interactive, intelligent, effective and *value-adding* service and regulatory relationship with NZ businesses.

Programme approach: phasing and resources

Phasing

The Parties intend to run the two projects in parallel.

Project A will be integrated with MBIE's [Small Business Digital Boost](#) initiative, and so will need to deliver results by the end of June 2021. This could be extended into 2022 and 2023, along with the Government's Digital Boost programme.

Project B has a long-term, transformational focus. These TOR address a first phase of design work that will be undertaken to support development of a project brief for a POC. This POC will collect the evidence needed for the development of a full Business Case to deliver the Small Business Lighthouse Vision.

Resourcing

Project A Ministry resourcing described in these TOR will be predominantly people. Microsoft also expects to be providing Small Business with access to digital skills content, and potentially devices and software.

Resourcing requirements for **Project B** work described in these TOR will be predominantly people to develop the Project Brief. The Project Brief will include the scope and resourcing/costs for the actual POC. A separate TOR will be developed for running the POC build stage of the project.

Governance

Governance of the work programme will be established in accordance with the overarching GCDO/Microsoft MoU.

Term and Termination

These Terms of Reference expire on 30 June 2021, unless extended by written agreement between the Parties, or terminated earlier as set out in this Section. Either Party may terminate these Terms of Reference at any time upon prior written notice to the other Party, with or without cause, and without liability of any kind to the other Party.

Costs

Unless expressly agreed in writing by the Parties in a separate agreement, each Party shall bear its own costs incurred in connection with the work they do under these Terms of Reference.

Intellectual Property

The Parties acknowledge that, unless otherwise agreed, at which point a separate agreement would be required, they are neither jointly developing software nor creating joint intellectual property under these Terms of Reference.

Project A - Small Business Digital Skills for the Future

This project is to identify and develop Microsoft's contribution to the Digital Boost program. This contribution is still to be scoped and agreed.

Digital Boost Programme Background

MBIE's [Small Business Digital Boost™](#) programme involves partnering with the private sector to assist more small businesses to build understanding and confidence in how they can benefit from digitising their business. The key target audience is small businesses who already have some level of digitalisation and want to do more, representing approximately 53% of the small business population.

The programme has three core initiatives:

1. **Digital Boost™ Spotlight Series** – where small business owners who have recently transformed their business by adopting digital tools and digital ways of working share their experiences to benefit other small business owners. This includes small businesses from a wide range of sectors, including tourism.
2. **Digital Boost™ Skills Training and Support** – focused on building the skills, confidence and trust required to enable small business owners to realise the benefits of working digitally and/or with digital tools. The training will be available to any small business who has begun to explore the digital world and wants a boost to accelerate their adoption.
3. **Digital Boost™ Directory** – bringing together the most relevant digital tools, technologies, products and services into a central place so small businesses (including those associated with tourism) can choose the products most suited to their business.

MBIE has been working with the Ministers' Small Business Advisors and Digital Industry Leaders to ensure the design of these initiatives is driven by the needs of business, and are useful, accessible and successful in building digital confidence for New Zealand small businesses.

The Digital Boost Pledge

The *Digital Pledge* concept is aligned to initiative three – the Digital Boost™ Directory – yet also complements initiatives one and two above. It involves harnessing the finance and digital services industry's willingness to collaborate with government on driving economic recovery through providing incentives, funding, investment, partnership, training, advisory services, discounts or other meaningful contributions that remove the barriers to small business digitalisation. Looking to 'kick-start' the *Digital Pledge* initiative, MBIE has been exploring with Microsoft, the BNZ and others the possibility of sourcing and providing subsidised laptops (and/or other devices) containing core productivity, cyber-security and training software to accelerate small business' ability to adopt digital ways of working and e-commerce.

Accordingly, MBIE and Microsoft NZ is working with a range of tech and private sector organisations (e.g. BNZ, ASB, Kiwibank, Datacom, Google, Spark, Vodafone, Warehouse, Xero, MYOB etc) to establish a private sector-led NZ Inc. Digital Pledge Foundation Group and a series of offerings that will 'kick-start' the Digital Pledge initiative and support the Digital Boost Skills Training & Support.

Appendix 1 – project descriptions

Microsoft Contribution to Digital Boost Programme

Discussions to date have identified two areas where Microsoft believes they are able to support the Digital Boost initiative:

- **Digital skills content** – providing Small Business users access to Microsoft skills content and certifications through either business.govt.nz or MBIE's Digital Boost Skills, Training and Support provider (s).
- **Digital Pledge Participation** – participating in the Digital Pledge Foundation group and providing subsidised hardware and software to Small Business users.

The Digital Boost programme is time constrained. Current government funding concludes at the end of the FY20/21 year. To be successful, Project A currently needs to be delivered within this time. However, this could be extended if the Government extends the Digital Boost programme into 2022 and 2023.

Key Milestones for the design and delivery of Microsoft contributions to the Digital Boost Programme:

1. Microsoft sign on to the Digital Pledge Foundation group. **Mid Feb 21**
2. Microsoft develop Small Business skilling package options. **Mid Apr 21**
3. Microsoft develop Small Business technology package options. **Mid Feb 21**
4. Ministry develop Digital Pledge workflow for accessing offerings. **Mid Feb 21**

Appendix 1 – project descriptions

Project B: POC: Future Government Digital Engagement with Business

Project B is focused on the development of a project brief for a POC. This POC will collect the evidence needed for the development of a full Business Case to deliver the [Small Business Lighthouse Vision](#) – to transform engagement with NZ business. The outcome would be a POC and report providing the evidence needed to develop a Business Case for progressing the Vision.

In practice, Project B will deliver a non-binding Proof of Concept (POC) of a “data integration and analysis engine” which would ingest/access data from source systems, use that data to generate additional value for NZ businesses, and present this to the consuming systems for action. The scope of the POC will be small, limited to MBIE data and business services. If successful, it is intended that it should show how the delivery of the Business Case will enable a wider range of data, organisations (both public and private), and business-facing services (examples of platforms that could leverage this are shown in Figure 2. They are examples only) to transform business digital enablement and value.

As well as investigating the benefits of advanced digital technologies, the project will also address institutional factors that would need to be addressed to achieve a successful transformation, e.g., governance, controls, responsibilities and roles, policy implications, and security.

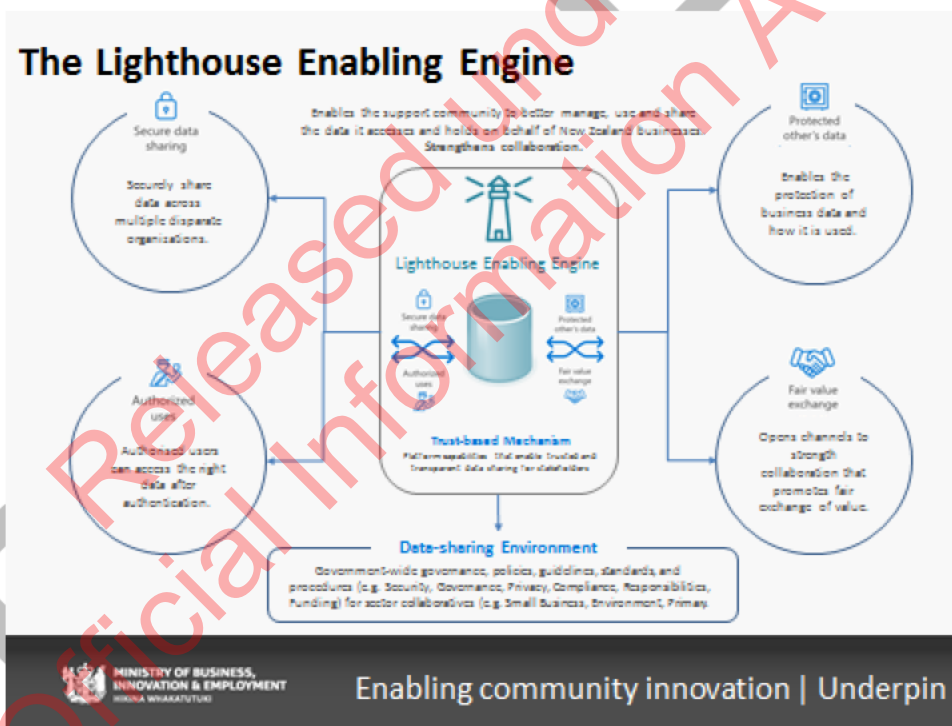


Figure 2 These TOR describe the POC for the initial exploring, testing and proving of the Enabling Engine to deliver business value

The Parties anticipate the project being undertaken in three stages:

1. Produce a “quick-win” using existing cognitive service capability that aligns with the Digital-Boost timeframes;
2. Scoping of a conceptual (i.e., non-production) proof-of-concept, and associated project brief;
3. Proof-of-concept implementation and related report.

Appendix 1 – project descriptions

These TOR only address Stage 1 and 2.

Stage 1 – Quickwin – New Value from Data through Cognitive Services

The Ministry will work with Microsoft's cognitive services experts to identify and develop a small POC leveraging existing Microsoft cognitive services to produce an example of how these services can be used to produce an uplift in the value being offered in the Digital Boost or related business.govt.nz services. This will be mostly implemented by the Microsoft team. This small focus is to ensure that value can be demonstrated within a very short period of time.

For this demo, we will be exploring how cognitive services can assist small businesses by: *Provide time-poor users all relevant information regarding a single search topic in a simple, digestible format using cognitive services.*

To show quick value in this space, within the Quickwin, Microsoft will apply [Cognitive Services](#) to public business.govt.nz website data. Specifically, they will use the [Knowledge Mining](#) service.

This demo will be setup within the MBIE pre-production environment and not be part of the public facing website. It will commence with a two-day workshop with the Microsoft AI team, from there the demo will be developed. MBIE resources will include the Business.Govt.NZ, Enterprise Platform Management, and Digital Channels teams.

This is a demonstration only. Thus, this Stage will have a short timeframe so that the value can be produced, demonstrated, and have sufficient time to gather reporting data to include in the outcomes of the Digital Boost program – concluding June 2021.

Key Milestones for Stage 1:

1. MBIE Koru Initiative (Ministry internal resource prioritisation process), covering all stages of Project B, 24 Nov 20
2. Internal/Microsoft Approvals: Service Transformation, 1/4 person, 2-3months, mid Feb 2021
3. Microsoft Workshops, from Mar 2021
4. Implementation and demonstration, end of Mar 2021

Stage 2

The Parties intend to form a joint project team to develop the scope for a proof-of-concept of the proposed enabling engine and, via a series of workshops, develop a project brief for its implementation.

Like Stage 1, this scope will be kept tight to ensure that the results can be produce expeditiously. The target of the POC is to prove and identify the technologies, skills, processes, and policies that will be needed to underpin the environment to allow the [Small Business](#) lighthouse vision to thrive. The focus is to provide the evidence needed for a Business Case to build the ecosystem to support the vision.

Creating the **DIGITAL** environment to enable innovation

An Enabling Engine to create Trust and Transparency for an **OPEN DATA** environment

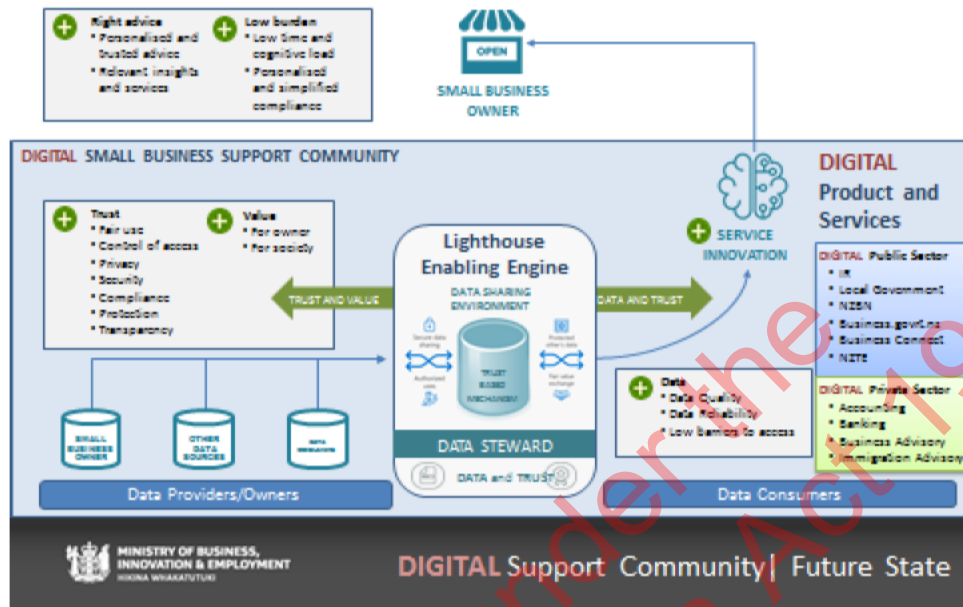


Figure 3 Digital products and services need trusted access to data. The Lighthouse Enabling Engine will assist this

The scope of the POC work will likely be constrained to data and services under MBIE’s immediate control to allow for faster results, but this is not a reflection of the Small Business Lighthouse Vision’s scope.

The POC will have two streams:

- Demonstration of a trust-based mechanism – show user journey examples for key stakeholders (demo platform build):
 - Small business owners
 - Data providers
 - Data consumers
 - Data steward
- Recommendations on the data-sharing environment (report)

The POC will look to address areas such as:

- How next generation, public cloud-based AI/ML tools, cognitive services, and data analytics and integration capabilities can be used for the purposes of delivering the vision.
- Identification of technologies and techniques required to enable trusted, multi-party, data sharing analysis and reporting.
- Stakeholder identification and engagement, and assessment of stakeholder attitudes, aspirations, needs and expectations.

Appendix 1 – project descriptions

- How NZ businesses, supporting vendors, and agencies can benefit from a more tailored engagement with MBIE and other business supporting agencies.
- Consideration of how the government small business datasets, services and underlying technology capabilities could, for example:
 - Support third-parties vendors' services to improve their value to small business owners.
 - Support improving the integration across authorities of small business life-events
 - Support reduction of non-compliance through identifying opportunities for proactive early intervention.
- Current availability (stocktake) of relevant data, and future "NZ Small Business data estate" requirements including approaches to data acquisition, data standards and data sharing.
- Opportunities for both primary and secondary uses of both data and technology capabilities
- Operationalisation economic costs, viability and funding options.
- Examination of analogous initiatives such as Stats NZ's Integrated Data Initiative (IDI), and extant NZ public or private sector projects or proposals of comparable nature or intent.
- The practical (technical/functional), economic, institutional, and cultural aspects of creating this capability and assuring its ongoing, well-governed, operation.

MBIE will lead, and Microsoft will inform, the development of the proposed project brief, which will include:

- Problem/opportunity statement and intervention logic.
- Scope of the initiative, including outlining of potential future phases.
- Analysis of costs and benefits, and funding estimates (initial development and ongoing operating).

The wider agendas [described](#) in this document should be considered when scoping

Key Milestones for Stage 2:

1. Agree the scope and scale of commitment for each party (TOR). **End of Jan 21**
2. Develop internal Project Brief Draft. **Mid Mar 21**
3. Develop final Project Brief. **End of Mar 21**
4. Ministry and Microsoft confirm their POC internal funding/timeframe options. **End of Mar 21**
5. Ministry present Project Brief. **Mid Apr 21 meeting**

Stage 3

The plan, scope, resourcing, and funding of this Stage (the building of the POC and the related reports) will be the outcomes of Stage 2 above. A separate TOR will be developed between the parties for this stage.

Key Milestones for Stage 3 will be determined during Stage 2.

Appendix 1 – project descriptions

Project B Success Factors

Key success criteria for Project B are the design and development of an initial POC of an enabling engine that shows how a solution could be:

- Institutionally, economically, technically, culturally and practically feasible to implement;
- Open to use by multiple stakeholders;
- Appropriately governed;
- Designed to allow ongoing innovation and evolution (i.e. futureproof);
- Secure – including privacy;
- Trustworthy – including bias management;
- Clear path to ongoing operationalisation.

The development of the Small Business Lighthouse Vision Business Case will follow the completion of Project B.

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