

# LCQ17: Participation of small and medium enterprises and start-ups in government procurements

Following is a question by the Hon Charles Mok and a written reply by the Acting Secretary for Financial Services and the Treasury, Mr Joseph Chan, in the Legislative Council today (May 8):

Question:

The Government introduced in April this year a new procurement policy which raised the weighting of the technical aspect in the overall score during tender assessment, in order to help small and medium enterprises (SMEs) and start-ups participate in tender exercises and create business opportunities. In this connection, will the Government inform this Council:

(1) in respect of the routine and non-routine procurements conducted by the various government departments in the past 12 months respectively:

(a) of (i) the number of procurements conducted and (ii) the average value of the contracts awarded, broken down by the technical/price weightings adopted for the procurements (set out in tables of the same format as Table 1); and

Table 1

Technical/ price weighting	Number of procurements conducted	Average value of contracts awarded
100/0		
90/10		
80/20		
70/30		
60/40		

(b) of the number of procurements conducted, broken down by (i) the mode of tendering and (ii) the group to which the contract values belonged (set out in tables of the same format as Table 2):

Table 2

Contract value (thousand dollars)	Mode of tendering			
	Open tendering	Selective tendering	Single or restricted tendering	Prequalified tendering
Below 2,000				

2,000 to below 5,000				
5,000 to below 10,000				
10,000 or above				

(2) of the number of policy bureaux/government departments using the full services of the e-Procurement System as at the end of March 2019; the total value of procurements completed through the e-Procurement System in the past three years, and the percentage of such value in the total value of public procurements completed in the same period;

(3) of the specific measures taken to streamline the procedure for tendering and contract formulation etc. in order to facilitate the participation in government procurements by SMEs which lack manpower and resources; whether it will conduct studies on further improving the e-Procurement System and applying financial technologies (including Faster Payment System) to help government departments enhance their efficiency in making payments to enterprises, with a view to improving the cash flow situation of the SMEs and start-ups concerned;

(4) whether it has studied the introduction of the practices of overseas places which aim to foster the participation of suppliers of varying sizes in government procurements (e.g. the United Kingdom Government's adoption of "Digital Marketplace" and simplification of the standard contracts for public-sector procurement) in order to facilitate the direct participation of SMEs in government procurement;

(5) whether it will step up the relevant publicity efforts (e.g. by organising more experience sharing sessions and seminars) to encourage enterprises in various industries to participate in government procurements, and more proactively provide SMEs and start-ups with information on government procurements (e.g. by including such enterprises in the lists of approved suppliers/contractors);

(6) whether, upon implementation of the new procurement policy, it has set any indicators and regularly analysed relevant statistics (including the characteristics of tenderers/contractors/suppliers/ service providers) in order to study and follow up the impacts of government procurement policy on economic, social and innovation activities; and

(7) whether it will encourage non-governmental organisations (including public organisations, quasi-government organisations and non-profit-making organisations), when conducting procurements, to make reference to the Government's adoption of a procurement policy which is not solely based on the "lowest bid wins" principle?

Reply:

President,

Having consulted the Government Logistics Department (GLD), Efficiency Office (EffO), Office of the Government Chief Information Officer (OGCIO), Electrical and Mechanical Services Department (EMSD), and the Trade and Industry Department (TID), my reply to the question is as follows:

(1) Prior to April 1, 2019, departments usually adopted the then-prevailing normally allowed range of technical weighting of 30 per cent – 40 per cent in the marking schemes for the procurement of stores, services (excluding consultancy services and works services) and revenue contracts. Departments might adopt an alternative technical weighting if they considered it necessary and with the prior approval of the relevant tender board. Since April 1, 2019, under the pro-innovation government procurement policy, the normally allowed technical weighting has been increased to 50 per cent – 70 per cent. Similarly, departments may adopt a higher technical weighting if necessary and with prior approval from the relevant tender board. Following the implementation of the new policy, we envisage that more government departments will adopt higher technical weightings than in the past and emphasise more on the quality of the tenders in awarding contracts.

Government procurements involve various departments, and are approved by different tender boards according to the value of the contracts. Regarding part (1) of the question, information of the contracts for procurement of stores, services (excluding consultancy services and works services) and revenue contracts approved by the relevant tender boards is listed out in accordance with the requirements in Table 1 and Table 2 of the Annex.

(2) Regarding the adoption of electronic means for conducting procurement, the GLD has maintained two systems: (1) the e-Tender Box (ETB) system and (2) the Procurement and Contract Management System (PCMS).

The ETB system enables government departments to handle issues related to the procurement of stores through tendering. Through the Internet, registered suppliers can access to the system to download tender documents free of charge, submit tender proposals, enquire on tendering matters, and access to tender notices and notices of contract award.

The PCMS stores and manages contracts handled by the GLD. Contractors of the GLD can gain access to acceptance letters and electronic purchase orders via the relevant system. At present, there is no centralised system in the Government for the management of contracts by departments.

The relevant statistics of the ETB system and PCMS are at Table 3 and Table 4 of the Annex.

Apart from the abovementioned electronic procurement systems of the GLD, a total of 33 departments have fully adopted the e-Procurement Programme of OGCIO to procure stores and services (excluding consultancy services and works services) of value not exceeding \$1.4 million. The other departments have also used the e-Procurement Programme to procure information technology products and relevant services of value not exceeding \$1.4 million. Information regarding the procurements completed via the e-Procurement

Programme in the past three years is at Table 5 of the Annex.

(3) to (7) The Government has kept the procurement arrangements under review, with a view to streamlining and expediting the procurement process. Relevant specific work includes delegating the authority to award contracts to procuring departments; dispensing with the need to conduct financial vetting for low-value and/or low risk procurements to expedite the procurement process; and simplifying the legal vetting requirement for tender documents, etc. The aim is to streamline the approval procedures and expedite the procurement process.

In respect of facilitation for small and medium enterprises (SMEs) to participate in procurement, procuring departments are required to split large contracts into smaller ones as far as possible to facilitate the participation of SMEs and lower the risk of over-concentration of government contracts; simplify tender documents as far as possible and avoid setting over-prescriptive requirements in the tender documents, so as to relieve the burden of the tenderers and avoid unnecessarily disqualifying tenderers from participation in government procurement. At the same time, departments should adopt a phased payment approach where possible when formulating the payment arrangement and ensure timely payment in a reasonable timeframe, in order to relieve the stress on the contractors' cashflow.

On conducting procurement through electronic means, the GLD would keep in view closely the needs of the tenderers of procuring departments, review and explore from time to time further improvements to the relevant procurement systems. OGCIO is also proactively encouraging departments to utilise the e-Procurement Programme more extensively. The Treasury and the relevant government departments would continue to keep in view the development of payment means in the market, introduce new application of financial technology at appropriate junctures, and promote the application of payment by electronic means, so as to enhance the efficiency and cost-effectiveness of government payments.

Furthermore, as SMEs and start-ups may have limited experience and track record (especially in undertaking government contracts), starting from April 1, 2019, departments should in general not set tenderers' experience as an essential requirement for participating in procurement unless absolutely necessary and with prior approval. This new requirement minimises the entry barriers of participation in government procurement and helps encourage SMEs and start-ups to participate in bidding. Additionally, to avoid placing SMEs and start-ups in an unduly disadvantageous position, tenderers' experience (not being an essential requirement) should generally account for no more than 15 per cent of the total technical marks in the marking schemes.

Relevant departments also collaborate outside the procurement system to introduce measures to facilitate the participation of SMEs and start-ups in government procurement, and enhance the promotion of government procurement opportunities. the GLD has updated and published the Government's upcoming procurement plans on its website regularly to facilitate planning by prospective tenderers for participation in the bidding. The GLD would also

join procuring departments' pre-tender briefings upon request to introduce the procurement procedures under the new policy. Eff0 would organise trade shows to invite the innovation and technology (I&T) sector to showcase available innovative solutions, and enhance the awareness and knowledge of procuring departments of the latest technology that can be sourced from the market. The first trade show was held on April 24, 2019, in which the GLD had also participated to introduce the new procurement arrangements.

On the other hand, EMSD and OGCI0 provide electronic platforms outside the procurement system to help connect and match government departments and innovative proposals of the industry. The "E&M InnoPortal" of EMSD publishes the technological needs of departments, and invites I&T organisations (such as universities and start-ups) to provide electrical- and mechanical-related I&T solutions in accordance with the needs for matching through the Portal for testing and verification. The "Smart Government Innovation Lab", soon to be launched by OGCI0, will gather government departments' needs, and invite innovative ideas and product proposals from the industry for addressing different city management challenges encountered by departments. The Lab will also arrange proof of concept and technology testing for the suitable solutions. Although the "E&M InnoPortal" and "Smart Government Innovation Lab" do not involve procurement arrangements, they can provide a collaborative platform to connect with the industry, so as to help departments understand the I&T developments and better prepare for their procurements.

Apart from the abovementioned new measures, other government departments will continue to implement different measures to support the development of SMEs. For example, TID administers a number of funding schemes to assist Hong Kong enterprises, including SMEs, in obtaining financing and enhancing their overall competitiveness while the Department's Support and Consultation Centre for SMEs provides business information and consultation services to SMEs free of charge. If needed, the Centre would refer enquiries for information on government procurement from SMEs to the GLD for follow-up.

The GLD would collect from departments information of their procurements regularly for future review of the implementation of the new policy. Government procurement does not mean buying the cheapest. The Financial Services and the Treasury Bureau has shared the new arrangements and measures of government procurement through the relevant policy bureaux with various non-governmental organisations (NGOs), and encouraged the NGOs to adopt and make reference to them.