

## LCQ18: 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 Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (October 28):

Question:

There are comments that encouraging small and medium enterprises (SMEs) and start-ups to participate in government procurements and helping them tap business opportunities will be conducive to promoting the economic development of Hong Kong in the long run. In recent years, the Government has introduced a new procurement policy which raises the weighting of the technical aspect in the overall score during tender assessment, and provided a platform through the Smart Government Innovation Lab (Smart LAB) to match the business needs of government departments with the solutions proposed by technology suppliers. Regarding the measures to enhance the participation rate of SMEs and start-ups in government procurements and the effectiveness of these measures, will the Government inform this Council:

(1) regarding the (a) Minor Group and (b) Major Group under the Standing Offer Agreement for Quality Professional Services respectively, of (i) the number of SMEs to which contracts were awarded, and (ii) the respective percentages of the numbers and total values of such contracts in the total numbers and values of all contracts awarded in the relevant groups, in each of the past three years;

(2) since the creation of the Smart LAB's thematic website, of (i) the number of occasions in which the business needs of government departments successfully matched, through the platform, the solutions of the innovation and technology (IT) suppliers and, (ii) the names and scope of technology of the needs/solutions involved, (iii) the respective names of the solution suppliers and the government departments concerned, and (iv) the amounts and contract periods of the contracts signed;

(3) given that in 2018, only 10 government departments handled tendering matters regarding the procurement of stores and services via the e  Tender Box system, and that the total value of the procurements handled via the online procurement platform under the Office of the Government Chief Information Officer accounted for only 16.6 per cent of the total value of the government procurement contracts of a value not exceeding \$1.4 million, whether the Government has examined ways to enhance the features and utilisation rates of the online procurement platform, so as to facilitate the use of the platform by the procuring departments and tenderers;

(4) whether it will examine adopting an innovative procurement system to increase SMEs' participation, including (i) making reference to the practice of the South Korean Government and inviting SME representatives to formulate and timely update the list of "Procurement of goods and services from SME-only" and stipulating that only tenders from SMEs will be accepted for specific types of goods or services, so as to provide greater incentives for SMEs to participate in bidding, and (ii) making reference to the practice of the Singapore Government and inviting enterprise tenderers to submit solutions, with a view to helping the government departments to achieve results, rather than just submitting tenders to meet the technical specifications set out by the departments;

(5) whether it will provide staff members of the various government departments with training relating to the application of IT solutions, and organise regularly promotional exhibitions in respect of local IT solutions, so as to enable various policy bureaux and government departments to have a better understanding of the solutions that may resolve issues in their daily operation, thereby enhancing the chance of SMEs and start-ups participating in government procurements; and

(6) whether it will extensively consult SMEs and start-ups on the direction of development of the government procurement policy?

Reply:

President:

In consultation with the Financial Services and the Treasury Bureau, our reply to the various parts of the question is as follows:

(1) In the past three financial years, the participation of small and medium enterprises (SMEs) in the Minor Group and Major Group under Categories 2 and 3 of the Standing Offer Agreement for Quality Professional Services is shown below:

(a) Minor Group

	2017-18	2018-19	2019-20
(i) Number of SMEs awarded with contracts	12	15	12
(ii) Number of contracts involved and its percentage of the group's total number of contracts	56 (40%)	40 (25%)	63 (39%)
Contract sum (in \$million) and its percentage of the group's total contract sum	49.41 (38%)	43.36 (25%)	76.68 (45%)

(b) Major Group

	2017-18	2018-19	2019-20
(i) Number of SMEs awarded with contracts	7	8	4
(ii) Number of contracts involved and its percentage of the group's total number of contracts	8 (12%)	8 (21%)	5 (12%)
Contract sum (in \$million) and its percentage of the group's total contract sum	20.73 (6%)	28.24 (14%)	13.15 (4%)

(2) Since its establishment, the Smart Government Innovation Lab (Smart LAB) has matched 34 business needs from different government bureaux/departments (B/Ds) with technology solutions, covering different technology areas such as artificial intelligence, robotics technology, data analytics, etc. The departments concerned will proceed with procurement according to their needs. We do not keep records of the contractual expenditure and contract period of these procurements.

(3) The e-Tender Box (ETB) system of the Government Logistics Department (GLD) enables B/Ds to handle matters related to the procurement of stores, services and revenue contracts. Registered suppliers can access the system online to download tender documents free of charge, submit tender proposals, enquire on tendering matters, and access tender notices and notices of contract award.

GLD has been endeavouring to enhance the service quality and functions of the ETB. In March 2020, GLD introduced the "Alternative Authentication Method" (AAM) as a new function, whereby tenderers may authenticate their tender submissions in lieu of digital certificates when making submissions via the ETB. AAM, the activation for which is free of charge, could save time and cost required for applying or renewing digital certificates from the relevant recognised certification authorities, thereby facilitating submission of tenders by SMEs and minimising their administrative cost. In addition, with regard to the "iAM Smart" initiative to be launched by the Office of the Government Chief Information Officer (OGCIO) soon, GLD will conduct technical studies with a view to enabling users to authenticate their identity and log into the ETB via "iAM Smart".

GLD will continue to promote the ETB to B/Ds via memo or seminars and encourage their usage. GLD will also work with OGCI0 to explore further improvements to and enhancement of the electronic tendering platform's functions.

At present, all B/Ds are using the e-Procurement Programme to handle procurement of IT products and related services not exceeding \$1.4 million in

contract value, including quotations. Among them, 39 B/Ds have adopted the e-Procurement Programme to deal with all low-valued procurement items (i.e. covering stores and non-construction services not exceeding \$1.4 million in value, and consultancy services not exceeding \$3 million).

In 2019, the procurement completed by B/Ds via the e-Procurement Programme amounted to \$1.732 billion in total, an increase of about 18 per cent over the sum of \$1.465 billion in 2018.

(4) It is Government's procurement policy to encourage more interested bidders to participate in procurement of the stores and services required under fair, open and competitive procedures. Hong Kong is a signatory to the Agreement on Government Procurement of the World Trade Organization (WTO GPA). When conducting procurement, the Government abides by the principle under the WTO GPA to treat all tenderers on equal footing, in order to ensure that local and overseas suppliers and contractors, regardless of scale, can participate in biddings in an open and fair manner.

The existing Government procurement policy facilitates SMEs' participation in government procurement. Apart from requiring B/Ds to adopt a higher technical weighting in tender assessment as mentioned in the question, they in general should not set tenderers' experience as an essential requirement for participating in procurement unless absolutely necessary and with prior approval. The procurement policy also encourages departments to adopt output- or performance-based, rather than input-based, tender specifications; and to conduct market research or non-binding Expression of Interest exercises before inviting tenders, so that departments can better understand the goods or services available in the market, technological trends, etc.

Furthermore, procuring departments are required to split large contracts into smaller ones as far as possible to facilitate 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. Also, B/Ds should adopt a phased payment approach where possible in setting the payment arrangement and ensure timely payment in a reasonable timeframe, in order to relieve the pressure on the contractors' cashflow.

(5) The Smart LAB regularly organises seminars, workshops and technology fora to increase B/Ds' awareness in the need for adopting innovative technology solutions in solving daily operational problems. These technology fora provide opportunities for local start-ups and SMEs to introduce their technical solutions to government departments as well as to better understand the needs of departments and submit proposals to the Smart LAB in appropriate areas. The Smart LAB has organised six technology fora since its establishment, and the themes include "Smart City Infrastructure", "Intelligent Transport System and Traffic Management", "Blockchain Technology for Public Services", "Robotics Technologies for Public Services", "Connected City – 5G and Wi-Fi", and "Technology Solutions for Remote Work".

The Smart LAB also arranges jointly with relevant B/Ds testing and proof-of-concept for solutions that meet their needs, hence creating more opportunities for relevant companies to participate in the tender exercise. The Smart LAB has also set up an industry liaison office to showcase those technologies that have been successfully or are being tested by B/Ds with a view to inspiring more B/Ds to adopt.

To foster an innovation and technology (I&T) culture within the Government, the OGCI0 launched the "Leading Towards Robotics Technologies" Innovation Competition in mid-2020 for government staff to submit proposals for applying robotics technologies effectively to improve public services. The Smart LAB will provide assistance to the ten short-listed proposals to conduct proof-of-concept and select the winners.

In addition, other departments have also set up various platforms/measures in the past few years to facilitate B/Ds' adoption of I&T solutions including:

- the Electrical and Mechanical Services Department established the E&M InnoPortal in June 2018 under which E&M solutions from local universities and start-ups are matched with the needs of B/Ds. So far, over 100 field trials have been conducted to assess their effectiveness and performance reports on the tested solutions have been shared to the Portal for reference by the public;
- the Public Sector Trial Scheme under the Innovation and Technology Fund (ITF) provides funding support for public sector organisations to conduct trials of new technologies/products developed by ITF-funded projects as well as incubatees, graduate tenants of the Hong Kong Science Park and Cyberport. Since 2011, over 260 projects involving trials in 150 public sector organisations (including over 30 B/Ds) have been carried out, with a total funding support of about \$493 million; and
- the Efficiency Office (Eff0) launched the "Be the Smart Regulator" (BSR) and "Streamlining of Government Services" (SGS) programmes in 2007 and mid-2019 respectively to enhance Hong Kong's overall business licensing environment and streamline government services, including adoption of suitable technology solutions. The BSR programme currently covers more than 400 business licences involving 29 B/Ds, while the SGS programme requires all B/Ds to propose streamlining measures and to report progress annually.

(6) The Government has been using various means to gauge the views and suggestions of the industry, including SMEs, on government procurement. GLD and the Support and Consultation Centre for SMEs under the Trade and Industry

Department also organise procurement seminars for SMEs to brief them on the procedures and arrangements for government procurement and tendering. Comments from SMEs on government procurement will be referred to relevant B/Ds for consideration as appropriate.