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Panel on Information Technology and Broadcasting

Meeting on 12 November 2012

**Background brief on
Capital Works Reserve Fund
Head 710 Computerization Subhead A007GX (Block Allocation)
– New administrative computer systems**

Purpose

This paper summarizes previous discussions by the Panel on Information Technology and Broadcasting ("the Panel") on the funding requirements for the implementation of computerization projects under the Capital Works Reserve Fund ("CWRF") Head 710 Computerization Subhead A007GX ("block allocation") – New administrative computer systems.

Background

2. CWRF Head 710 Computerization is the Head of Expenditure used for funding administrative computer systems, consultancies for feasibility studies and systems development. These projects serve to deliver the strategic outcome of the action area "Enabling the next generation of public services" under the Digital 21 Strategy. The projects can be broadly classified as projects each costing above \$10 million¹, projects each costing above \$150,000 but not exceeding \$10 million, and projects each costing \$150,000 or below².

3. Projects each costing above \$150,000 but not exceeding \$10 million are funded through a block allocation under CWRF Head 710 Subhead

¹ These projects are subject to the approval of the Finance Committee ("FC") and to be funded under separate subheads of Head 710.

² These projects are approved by individual bureaux/departments and funded through their respective operational expenses subheads under the General Revenue Account.

A007GX. The Financial Secretary has delegated to the Government Chief Information Officer ("GCIO") the power to approve projects and authorize expenditure under the block allocation. Projects funded this way are normally called block vote projects. The block allocation for a given financial year will fund the estimated cash flow requirements arising from block vote projects proposed by bureaux/departments and approved or to-be approved by GCIO. Each year, the Office of the Government Chief Information Officer estimates the funding requirements for the block allocation in the following financial year by taking into consideration the cash flow requirements of approved block vote projects, new proposals submitted by bureaux/departments and anticipated new projects for various E-Government initiatives to be submitted, as well as the spending position of the block allocation.

Discussions at the Panel on Information Technology and Broadcasting

4. At the Panel meetings on 20 November 2008, 9 November 2009, 8 November 2010 and 20 October 2011, members discussed the funding requirements proposed under the block allocation for 2009-2010, 2010-2011, 2011-2012 and 2012-2013 respectively. Members supported in principle the funding proposals for consideration by the Public Works Subcommittee.

Business Opportunities for Local Small and Medium sized Enterprises

5. At the Panel meeting on 20 November 2008, members noted that in the past, most of the Government Information Technology ("IT") projects were awarded to large IT service providers and suppliers. They urged the Administration to consider sub-dividing the projects into smaller items so as to provide more opportunities for small and medium sized enterprises ("SMEs") in the IT sector to bid for the contracts.

6. The Administration advised that the Government procurement policy and the award of contracts were subject to the World Trade Organization ("WTO") Agreement on Government Procurement and the tendering requirements of individual project. Where the existing procurement and manpower policies so permitted, the Administration would seek to facilitate participation of local SMEs in the projects. A number of contracts awarded to large companies in the past did in turn involve SMEs as sub-contractors. The Administration subsequently provided an update on the progress made in providing more business opportunities for local SMEs in the IT sector under the overall Government procurement policy and the WTO Agreement. Details of the various measures put in place are set out in the **Appendix**. The Administration advised that it would continue to explore new opportunities to help SMEs to compete fairly in Government IT tenders and procurements.

Digital 21 Strategy website

7. At the Panel meeting on 9 November 2009, members noted that to enhance transparency and encourage private sector participation, information on all approved and proposed IT projects had been published on the Digital 21 Strategy website for public viewing since May 2009. However, some Panel members pointed out that only a list of project titles and the responsible departments were available in the website. They urged the Administration to consider publishing tender-related statistics and information on the website so that interested SMEs could have a better understanding of the projects concerned and be in a better position to bid for the projects when tender was conducted. Having considered members' view, the Administration subsequently published the tender-related information on the website starting from mid-August 2010.

8. At the Panel meeting on 8 November 2010, members noted that projects costing above \$10 million each were subject to the specific approval of FC, while authority to approve projects costing above \$150,000 but not exceeding \$10 million under the block allocation had been delegated to the GCIO. Noting that there was a total of 543 projects under the proposed block allocation in 2011-2012, some members expressed concern whether the cost of each project had been kept below the \$10 million threshold to avoid seeking funding approval from FC. These members requested the Administration to provide detailed information on the projects. The Administration advised that to enhance transparency, information on all the proposed new projects, approved projects and their tender-related information, including project titles, project estimates and the planned start and end dates of projects had been published on the Digital 21 website (<http://www.info.gov.hk/digital21/eng/catalogue/cata.html>).

E-Government

9. At the Panel meeting on 20 October 2011, some members considered that in general, the lead time currently required for enhancing Government IT systems to enable the implementation of new policy initiatives such as additional social security payments was unreasonably long, sometimes as long as six months. They urged the Administration to expedite the process for the benefit of the needy. The Administration assured the Panel that it would strive to shorten the total duration as far as practicable. As regards bureaux/departments which had IT Management Units, they would work very closely with the business side in aligning the plans for the IT enhancements with the business changes.

10. Noting the changing trend of political landscape arising from the popularization of online social media, Panel members urged the Administration to put in place measures to meet such an unprecedented political challenge. The Administration advised that it had been promoting to bureaux/departments the wider use of social networking to reach out to the public. Three IT toolkits had been developed for use by government departments in conducting online public consultation and live content streaming. The Government was also taking measures to enhance its websites in accordance with the latest international standards of the World Wide Web Consortium to facilitate access of online information and services by the elderly and persons with disabilities, including the visually-impaired.

Latest position

11. The Administration will brief the Panel on 12 November 2012 the funding requirement for 2013-2014 for the implementation of computerization projects under the block allocation.

Relevant papers

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

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Various measures put in place by the Administration to help Small and Medium Sized Enterprises ("SMEs") to compete fairly in Government IT tenders and procurements

For the Standing Offer Agreement for the procurement of Quality Professional Services (SOA-QPS), the Administration has divided the system maintenance, development and implementation services into major and minor groups, demarcated by the contract value of HK\$1.3 million. The Administration does not allow a company to bid for both groups under the same service category. Through such an arrangement, large companies usually bid for the major groups leaving the SMEs to have more chance to be contractors in the minor groups. As a result, 15 SMEs have been involved in 134 SOA-QPS contracts as prime contractor or sub-contractor with a total project value of HK\$41 million since 31 July 2009.

2. In the SOA-QPS, the Administration has removed the requirement of contract deposit. Performance bond is required only when contracts of value greater than HK\$1.3 million are awarded. These reduce the financial burden for SMEs to participate in Government contracts.

3. Apart from the SOA procurement arrangement, the Administration has recently introduced a listing arrangement for the procurement of government public cloud services. Out of the 40 listed service providers, 14 or 35% of them are SMEs. This new arrangement will provide business opportunities for the SMEs to advance into contemporary cloud computing service providers.