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Panel on Information Technology and Broadcasting

Meeting on 12 April 2012

**Background brief on implementation of
pilot e-Procurement programme**

Purpose

This paper summarizes previous discussions by the Members on the implementation of the pilot e-Procurement Programme (the pilot programme).

Background

2.   E-Procurement was one of the priority initiatives identified under the new wave of e-Government programme which was included in the 2005 Policy Agenda.   It aimed to automate and integrate the procurement processes within the Government to enhance transparency, efficiency and cost-effectiveness, and to achieve more competitive pricing for Government procurement.   To exploit the potential of e-Procurement in the Government as a whole, the Government conducted a consultancy study in 2005 to map out a strategy for taking forward e-Procurement to handle high volume, low value purchases (i.e. those not exceeding $1.3 million [1]) at the bureaux/department (B/D) level by making reference to the best practices of other governments and successful implementers in the private sectors.   The study recommended the adoption of a new procurement approach by deploying an integrated range of e-Procurement tools and services with a view to enhancing efficiency, improving the quality of procurement information and promoting supplier base in the adoption of e-Procurement practices and technologies.   Key elements of the e-Procurement programme

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[1]   In February 2009, the previous $1.3 million threshold for low value purchases was revised to $1.43 million under the Government's Stores and Procurement Regulations.

included the setting up of an e-Procurement portal, e-sourcing and automation of the entire purchase-to-pay process.

3.   The Administration proposed in December 2006 to implement a pilot programme in three departments, namely, the Office of the Government Chief Information Officer (OGCIO), the Immigration Department (ImmD) and the Environmental Protection Department (EPD) to deal with high volume, low value purchases not exceeding $1.3 million.

4.   According to the Administration, e-Procurement was expected to bring the following benefits to the Government:
- (a) improved efficiency and effectiveness;
- (b) improved quality and accessibility of procurement information;
- (c) reduced human errors and enhanced traceability;
- (d) expanded supplier base as B/Ds could share and access supplier;
- (e) reduced transaction cost ; and
- (f) reduced price.

5.   To the suppliers, e-Procurement was expected to bring the following benefits:

- (a) more effective and efficient communication with the Government by reduction in turnaround time of correspondences and through enhanced accessibility to government procurement information;
- (b) expanded business opportunities with the Government by updating their product catalogues to the e-procurement portal which would be assessed by B/Ds; and
- (c) migration to the electronic means of doing business, thereby enhancing suppliers' capability in e-commerce.

Previous discussions

6.   At the meeting of the Panel on Information Technology and Broadcasting (ITB Panel) on 11 December 2006, members were briefed on the Administration's funding proposal to create a commitment of $49.2 million for the implementation of the pilot programme. While expressing support for the Administration's e-Procurement initiative, members noted that e-Procurement had already been implemented in the private sector with e-invoicing as part of the e-Procurement process. However, e-invoicing would not be covered under the pilot programme. The Administration advised that as the implementation of e-invoicing would require the presence

of the necessary backend accounting or finance computer system at the suppliers' end, an incremental approach was proposed to allow gradual migration to e-Procurement by suppliers, particularly small and medium enterprises (SMEs).   At the Panel's request, the Administration undertook to explore the implementation of e-invoicing at the next stage when the information technology capabilities of SME suppliers were raised after implementation of the pilot programme.

7.   On the scale of the pilot programme, Panel members noted that only a limited number of departments would participate in the pilot programme. Given that the implementation of e-Procurement could bring about financial savings arising from cost reduction as in the case of overseas experience, members urged the Administration to expand the scale of the pilot programme with a view to expediting the service-wide implementation of e-Procurement in the Government.   Concern was also raised on the employment of contract staff for implementation of the pilot programme and hence the loss of experience when those contract staff left the Government upon completion of their contracts.

8.   To address members' concerns, the Administration undertook to draw up comprehensive guidelines on e-Procurement for reference by B/Ds and to organize workshops to provide in-service training to relevant staff of B/Ds so as to ensure that the experience learnt from the pilot programme would be shared among Government users. At Panel members' request, the Administration also undertook to make a comprehensive assessment on the actual benefits of the e-Procurement programme, with particular respect to SMEs' response to and their degree of participation in the programme, as well as the extent to which green procurement was adopted during the e-Procurement process.

9.   The funding proposal was approved by the Finance Committee on 26 January 2007.

Recent developments

10.   At the ITB Panel meeting on 13 May 2010, the Administration updated members on the progress of e-Government development.   Members noted that following the production launch of the e-Procurement Portal in June 2008, the remaining e-Procurement initiatives, namely workflow, e-catalogue and e-sourcing had been implemented and rolled out progressively to the pilot departments and suppliers since September 2009. The Administration expected that the e-Procurement initiatives would facilitate better sourcing, streamline the procurement workflow and encourage adoption of e-commerce in the supplier community.   After the

full operation of the pilot programme, the Administration would collaborate with the three pilot departments and relevant stakeholders to review the outcome and propose the way forward.

Latest position

11.   With the progressive rollout of the pilot e-Procurement system, the Administration has completed a review of the pilot programme and a study on e-invoice.   The Administration will brief the Panel on 12 April 2012 on the outcome of the review and the study on e-invoice, and also on the way forward.

Relevant papers

Information paper provided by the Administration for the Information Technology and Broadcasting Panel meeting on 11 December 2006
http://www.legco.gov.hk/yr06-07/english/panels/itb/papers/itb1211cb1-435-3-e.pdf

Minutes of Information Technology and Broadcasting Panel meeting on 11 December 2006
http://www.legco.gov.hk/yr06-07/english/panels/itb/minutes/itb061211.pdf

Information paper provided by the Administration for the Information Technology and Broadcasting Panel meeting on 13 May 2010
http://www.legco.gov.hk/yr09-10/english/panels/itb/papers/itb0513cb1-1843-7-e.pdf

Updated background brief prepared by the Legislative Council Secretariat on e-Government programmes for the Information Technology and Broadcasting Panel meeting on 13 May 2010
http://www.legco.gov.hk/yr09-10/english/panels/itb/papers/itb0513cb1-1843-8-e.pdf

Minutes of Information Technology and Broadcasting Panel meeting on 13 May 2010
http://www.legco.gov.hk/yr09-10/english/panels/itb/minutes/itb20100513.pdf

Information paper provided by the Administration for the Finance Committee meeting on 26 January 2007
http://www.legco.gov.hk/yr06-07/english/fc/fc/papers/f06-38e.pdf

Minutes of Finance Committee meeting on 26 January 2007
http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/fc070126.pdf

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