

**立法會**  
**Legislative Council**

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**Panel on Commerce and Industry**

**Meeting on 21 February 2017**

**Background brief on the Pilot Technology Voucher Programme  
and related Government procurement policy**

**Purpose**

This paper provides background information on the Pilot Technology Voucher Programme ("PTVP") and the Government procurement policy in relation to information and communications technology products. It also gives a summary of the views and concerns expressed by Members on related issues during previous discussions.

**Background**

Pilot Technology Voucher Programme

2. In the 2016-2017 Budget, the Financial Secretary announced that the Government would launch PTVP under the Innovation and Technology Fund ("ITF")<sup>1</sup> to enhance the long-term competitiveness of small and medium enterprises ("SMEs") by subsidizing SMEs' use of technological services and solutions to improve productivity and upgrade or transform business processes.

3. Members of the Panel on Commerce and Industry ("the Panel") were briefed at the meeting on 17 May 2016 on the details of PTVP, together with other new initiatives under ITF, to promote innovation and technology ("I&T"). The Panel supported in principle the proposed new initiatives. PTVP was subsequently launched on 21 November 2016.

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<sup>1</sup> Innovation and Technology Fund ("ITF") is a statutory fund administered by the Innovation and Technology Commission to provide financial support to a spectrum of activities that boost Hong Kong's innovation and technology ("I&T") capability, ranging from applied research and research and development, technology transfer and commercialization of related activities to promotional activities that foster an innovation culture within the community. On 9 July 1999, the Finance Committee ("FC") approved the proposed injection of \$5 billion into ITF which came into operation on 1 November 1999. FC subsequently approved the Administration's proposal to inject a further \$5 billion into ITF to provide sustained and comprehensive support for the development of I&T on 27 February 2015.

4. In gist, PTVP will be implemented for an initial period of three years with \$500 million. Funding up to \$200,000 for each SME will be provided on a 2:1 matching basis. The SME must contribute no less than one third of the total approved cost of the project in cash. Subject to the cumulative funding ceiling, up to three projects from an SME may be approved. Each project should normally be completed within 12 months. Normal business operating costs, e.g. rental for premises, staff salary, maintenance, non-technology related professional service fees, marketing and branding expenses, transportation and accommodation will not be funded. The Administration will review the effectiveness and the modus operandi, such as the funding scope, funding amount and vetting procedures of PTVP after two years, or if it foresees full commitment of the \$500 million, whichever is the earlier.

#### Government procurement policy of information technology professional services

5. The Government procurement policy aims to obtain goods and services at the best value for money in support of the Government's programmes and activities, and to provide equal opportunities for domestic and foreign suppliers and service providers, participating or competing in government procurement. Contracts for supplying goods or services to the Government are awarded through open, fair, competitive and transparent procedures. For procurement of stores and general services (including information and technology ("IT") stores and services) exceeding \$1.43 million in value, it is normally done by the use of open tendering procedures so as to obtain the best value for money. In procuring IT professional services, the Government also finds ways and means through its procurement arrangements to foster the development of the local IT industry, particularly the participation of SMEs in Government IT projects.

6. Since 1994, the Office of the Government Chief Information Officer ("OGCIO") has adopted a bulk supply arrangement to enable Government bureaux/departments ("B/Ds") to obtain IT professional services as and when required. The present arrangement, namely the Standing Offer Agreement for Quality Professional Services 3 ("SOA-QPS3") which replaced the Standing Offer Agreement for Quality Professional Services 2 in July 2013, is part of the Government's IT outsourcing strategy aiming to enlarge the delivery capacity for IT services, accelerate the delivery of IT solutions, and create a market of sufficient size to encourage the further development of the IT industry locally.

7. As SOA-QPS3 will expire in July 2017, OGCIO conducted a consultation exercise between 23 February and 15 March 2016 to solicit opinions from the IT industry to formulate new arrangement with further improvements. Twenty submissions were received during the consultation exercise.

## **Views and concerns expressed by Members**

### Pilot Technology Voucher Programme

8. The Panel discussed issues relating to the new initiatives under ITF to promote I&T, including PTVP, at the meeting on 17 May 2016. Major views expressed by members are summarized in the ensuing paragraphs.

#### *Application procedure*

9. While members welcomed the launch of PTVP to subsidize the use of technological services and solutions by local SMEs, they called for simple application process and reporting requirements for PTVP so that there would not be too much hindrance to the SME applicants. Some of these members further suggested that sufficient and clear guidelines on application, as well as a performance pledge for processing applications should be provided.

10. The Administration responded that it was making reference to similar schemes adopted in other places such as the United Kingdom, Singapore, South Australia, Shenzhen, etc. Furthermore, the Administration considered that the vetting and monitoring procedure of PTVP should be simple while still ensuring proper control on the use of public money.

#### *Scope of the Pilot Technology Voucher Programme*

11. Some members enquired whether IT services provided on a monthly basis would be covered by PTVP. Referring to the requests of the IT sector for relaxing the exclusion items of PTVP to include more projects, such as allowing off-the-shelf computer software which involved certain customization or configuration to suit individual enterprises' needs to be funded, these members called on the Administration to actively engage the IT sector and take into account their views when working out the implementation details of PTVP.

12. The Administration advised that off-the-shelf equipment, computer software and hardware were generally not funded, unless they formed an essential part of an integrated solution, in which case the vetting committee would be consulted on the reasonableness of the equipment cost vis-à-vis the total cost. IT services provided on a monthly basis would be allowed as long as it was an essential part of the project and within the approved project duration. Moreover, the Administration had met with relevant stakeholders and industry representatives and noted their views and concerns. The Administration would review the effectiveness and the modus operandi, such as the funding scope, funding amount and vetting procedures of PTVP after two years, or if the Administration foresaw full commitment of the \$500 million.

13. At the Council meeting of 2 November 2016, Mr Charles MOK asked a written question as to whether the Administration would draw up a list of approved providers of IT services and solutions under PTVP, and of the types of technological services and solutions to be funded under PTVP.

14. The Administration advised that it encouraged SMEs to identify suitable technology consultants or providers according to their needs after examining their business operations, so as to achieve the objective of improving productivity, or upgrading or transforming their business processes. While the Administration did not intend to draw up a list of recognized technology consultants or providers, SMEs needed to comply with the procedures set out under PTVP during the course of procurement. Furthermore, given the rapid development of technologies, the Administration did not recommend pre-defining the types of technological services that could be subsidized under PTVP.

#### Government procurement policy

15. At the Council meeting of 16 December 2015, Mr Charles MOK asked an oral question on the Government's awarding its IT contracts to contractors in accordance with SOA-QPS. Mr MOK asked whether the authorities would study and consider the implementation of more enhancement measures in order to encourage SMEs to bid for such contracts and enhance their successful rates.

16. The Administration advised that OGCIO introduced in February 2014 measures to encourage government B/Ds to break down large-scale IT projects into multiple projects of smaller size, and to lower the tender and contract deposit levels. These measures had helped increase the chance for SMEs to be awarded government contracts. In addition, OGCIO also encouraged local suppliers (including SMEs) to bid for government tenders for IT projects through a series of measures, including providing Quarterly Catalogue of Opportunities for Private Sector Participation on the website of Digital 21 Strategy; launching platforms such as Suppliers Community Portal and IT Promotion Database on the OGCIO website, so as to facilitate suppliers (including SMEs) to introduce their scope of business and products to all government B/Ds; launching the e-Procurement website to improve the tenderers' efficiency and reduce their efforts in preparing tender submission and avoiding awarding to the same tenderer if the tender involved more than one contract.

17. At the special meeting of Finance Committee on 7 April 2016 to examine the Estimates of Expenditure 2016-2017, Mr Charles MOK asked a question as to whether the Administration had any plan to reduce the difficulty for SMEs to take part in the government procurement of IT products and services.

18. In addition to the measures in its reply to the oral question asked by Mr Charles MOK at the Council meeting of 16 December 2015, the Administration advised that having regard to the Agreement on Government Procurement<sup>2</sup> of the World Trade Organization, the Government also set up specific service groups under SOA-QPS for B/Ds to acquire IT professional services with contract value not exceeding \$1.43 million.

### **Latest position**

19. The Administration will brief the Panel on 21 February 2017 on the implementation progress of PTVP and the Government procurement policy in relation to information and communications technology products.

### **Relevant papers**

20. A list of relevant papers is shown in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
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<sup>2</sup> As a World Trade Organization member, Hong Kong acceded to the Agreement on Government Procurement ("GPA") in May 1997. Under GPA, the Hong Kong Government is obliged to, with respect to procurement of goods and services covered by its commitments, provide open and non-discriminatory treatment to all goods and services irrespective of their country of origin, and to provide for open and fair competition among domestic and foreign suppliers.

List of relevant papers

Date of meeting	Meeting	Paper
16/12/2015	Council	Question No. 5 on "Promoting development of innovation and technology industries" raised by Hon Charles MOK ( <a href="#">Hansard</a> ) (Page 3004-3016)
7/4/2016	Special meeting of the Finance Committee to examine the Estimates of Expenditure 2016-2017	Administration's replies to Members' initial written questions ( <a href="#">Reply serial no. ITB199</a> )
17/5/2016	Panel on Commerce and Industry	Administration's paper on "New initiatives under the Innovation and Technology Fund to promote innovation and technology" ( <a href="#">LC Paper No. CB(1)901/15-16(05)</a> )  Background brief on the new initiatives for promotion of innovation and technology prepared by the Legislative Council Secretariat ( <a href="#">LC Paper No. CB(1)901/15-16(06)</a> )  Minutes of meeting ( <a href="#">LC Paper No. CB(1)1186/15-16</a> )
2/11/2016	Council	Question No. 14 on " Pilot Technology Voucher Programme " raised by Hon Charles MOK ( <a href="#">Hansard</a> ) (p.162-165)