



Hong Kong government procurement regime

17 March 2022



EUROPEAN UNION OFFICE
TO HONG KONG AND MACAO

Major types of government procurement

Stores and Procurement Regulations

Common goods and services

(led by the Financial Services and the Treasury Bureau)

Construction services

(led by Development Bureau)

Consultancy

Five Non-Gov't public bodies

Airport Authority, Hospital Authority, Housing Authority and Department, Kowloon-Canton Railway Corporation, MTR Corp.

- **Government Logistics Department (GLD) as central procurement agent**
- **No requirement for local experience**
- **List of contractors: mostly a mailing list**

- **Requirement for local experience**
- **Inclusion in the lists of contractors on probation first**
- **Segmented**

- **Lists maintained by the relevant government offices**
- **Technical proposals evaluated first (then price)**

- **Flexibility to use their own rules**

HK is a party to the WTO's GPA (not China)

Covers goods and services for contracts above following thresholds:

Government entities:

- Goods and specified services: above HKD 1.4 million
- Construction services: above HKD 54.6 million

Five Non-Government public bodies:

- Goods and specified services: above HKD 4.4 million
- Construction services: above HKD 54.6 million

Business opportunities

- Only Japan, Korea, Singapore and Taiwan parties to GPA = **HK more open/fair vs China, ASEAN etc.**
- Government procurement = **4-5% of the SAR's GDP** (*WTO, 2018*)
- Construction services = **80% of the total**
- Five non-gov't bodies = **50% of the total**
- Goods and other services = 20%, but **80% goods imported**
- Carrie Lam (PA, Oct 21): **capital works exp > EUR 11 billion** annually
- Pledges for decarbonisation (60% buildings); recycling **could benefit**
- Lantau Tomorrow (EUR 70 billion); Northern Metropolis (EUR 12 billion)

EU presence

- Market shares of construction services procurement (2015-17)
 - Europe (incl. UK) **11.4% (EUR 2 billion)**
 - China **20%**
 - Other foreign **30%**
 - Local HK **40%**
- European construction and design firms “much more” dominant than U.S. firms (US report; Jan 2022)
- Almost all waste managing facilities built/operated by EU firms
- EU architecture, design and consultancy firms are also active

Requirement for local experience

- **Doubt over compliance with WTO's GPA**
- **Construction services under DB:** new contractors put in probation with caps in the value of work. **Discrimination vs foreign contractors?**
- Seem to also apply to architectural consultancies and to procurement with the Housing Authority and Hospital Authority.
- Contractors can form a Joint Venture to skip the probation.
- EU raised its concerns

Feedbacks from discussion with TCs last year

- Probation not a main concern:
EU firms completed probation? JV fine? Caps ok?
- HK procurement largely fair
- Hard to read / rigid / bureaucratic / not efficient:
E-procurement only partial ; CDrom
- HK procurement not innovative or green:
Price first ; risk adverse
- Short-term impacts of Covid

Continue the discussion with TCs/companies ?

- Confirm that EU firms are fine with probation / JV arrangement.
- If yes, then **explore sifting advocacy**: keep probation/local experience (**still relevant for new comers?**) but add focus on making HK procurement greener / pro-innovation / less rigid (**relevant for all EU companies?**).
- Collect more views on overall fairness (HK vs other places?).
- Understand better EU presence (firms, sectors, projects)
- Outlook and opportunities. ***Increased competition from Chinese firms?***

Explore a survey / a meeting with EU companies?

