



**PUBLIC PROCUREMENT AND DISPOSAL  
OF PUBLIC ASSETS AUTHORITY**  
"Procurement That Delivers"

**PPDA/RGF/015**

27<sup>th</sup> January 2025

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**INSPECTION REPORT INTO THE ALLEGED NON-COMPLIANCE WITH THE PROVISIONS OF THE RESERVATION SCHEMES GUIDELINE NO. 1/2018 TO PROMOTE LOCAL CONTENT IN PUBLIC PROCUREMENT BY FINE SPINNERS UGANDA LTD ON PROC REF NO: MOD/SUPLS/2022-23/0054**

Reference is made to your complaint in respect to alleged abuse of the Guidelines on Reservation Schemes in public procurement by Fine Spinners Uganda Ltd and the Ministry of Defence and Veteran Affairs (MODVA) under the procurement of camouflage digital uniforms and plain uniforms for Uganda Peoples Defence Forces under procurement reference no. MOD/SUPLS/2022-23/0054. The procurement had two lots i.e. Lot 1 for digital uniforms and Lot 2 for plain uniforms.

It was specifically alleged that:

1. The procurement was undertaken in accordance with the Guideline on Reservation Schemes to promote local content and that Fine Spinners Uganda Ltd was awarded the contract having confirmed that it was going to manufacture the uniforms using locally grown cotton from the ginneries. However, the company imported the uniforms from a Kenyan company, Bedi Investments Limited in breach of the Guideline on Reservation Schemes to promote local content in public procurement; and
2. Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement.

In accordance with Section 8 (1) (i) and Section 53 of the Public Procurement and Disposal of Public Assets (PPDA) Act, Cap 205, the Authority conducted an inspection into the procurement process to establish whether the procurement process was conducted in accordance with the public procurement procedures enshrined in the PPDA Act, Cap 205 and PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement.

The Authority established no breach of the Guideline on Reservation Schemes to promote local content in public procurement as indicated below:

1. On 22<sup>nd</sup> November 2022, MODVA invited bids from Southern Range Nyanza Ltd and Fine Spinners Uganda Ltd for the procurement of camouflage digital uniforms and plain uniforms for UPDF under procurement reference no. MOD/SUPLS/2022-23/0054 using the Request for Quotation (RFQ) method. This procurement was conducted under reservation for providers of

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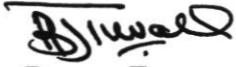
uniforms with manufacturing facilities in Uganda as per the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement.

2. The evaluation report indicated that both Southern Range Nyanza Ltd and Fine Spinners Uganda Ltd were eligible and complied with the reservation requirements in the bidding document.
3. On 6<sup>th</sup> December 2022, the Ministry of Defence and Veteran Affairs (MODVA) issued a Notice of Best Evaluated Bidder with Lot 1 (procurement of digital uniforms) awarded to Southern Range Nyanza Ltd at UGX 3,960,000,000 and Lot 2 (plain uniforms) awarded to Fine Spinners Uganda Ltd at UGX 2,487,000,000.
4. The Authority reviewed documents relating to the procurement, held interviews with the Accounting Officer, MODVA, the General Manager, Fine Spinners Uganda Ltd and conducted a physical verification exercise. The Authority established from Fine Spinners Uganda Ltd that the company imported the aforementioned plain uniforms due to shortage in cotton reserves at the production facility. It was indicated that in November 2022, there were mudslides in Kasese which hindered the supply of cotton, and that importing the plain uniforms was undertaken to aid their timely delivery. Whereas, the Accounting Officer informed the Authority that due to the emergency need of the uniforms, Fine Spinners Uganda Ltd was verbally allowed to import the uniforms, there was no evidence on file to support the assertion. In addition, the requirement for local manufacturing of the uniforms was not stated explicitly in the bidding document.
5. The Authority found no merit in the allegation that Fine Spinners Uganda Ltd imported the plain uniforms under the contract for the procurement of camouflage digital uniforms and plain uniforms for UPDF, procurement reference no. MOD/SUPLS/2022-23/0054 in breach of the Guideline on Reservation Schemes to promote local content in public procurement since the Entity allowed the company to import the uniforms given the urgent need for the uniforms in accordance with Clause 3.5 of the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement which provides that *'where the Entity is unable to get responsive bids from an eligible provider under 3.3, the Entity may procure from a bidder who is not eligible for the reservation. The Accounting Officer should report to the Authority within 10 days from contract execution'*.
6. The Authority further found no merit in the allegation that Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement since breach of the Guideline is not a ground for suspension under the PPDA Act, Cap 205.

The Authority recommends as follows:

1. The Accounting Officer should ensure that in future all communications with providers are in writing in accordance with Section 59(1) of the PPDA Act, Cap 205;
2. The bidding documents issued to providers should comply with the Reservation Schemes Guideline and the Accounting Officer should report to the Authority any deviation from the Guidelines in accordance with Clause No. 3.1 (vi) of the Reservation Schemes Guideline No. 12/2024; and

3. Fine Spinners Uganda Ltd should always seek and obtain written authorization from Entities and notify the Authority of the foregoing circumstances before veering off the path of manufacturing the uniforms locally.



Benson Turamye

**EXECUTIVE DIRECTOR**

- c.c Accounting Officer, Ministry of Defence and Veterans Affairs
- c.c Fine Spinners Uganda Ltd

Encl: Inspection report into the alleged non-compliance with the provisions of the Public Procurement and Disposal of Public Assets (PPDA) Reservation Schemes Guideline to promote local content in public procurement by Fine Spinners Uganda Ltd.



**INSPECTION REPORT INTO THE ALLEGED NON-COMPLIANCE WITH THE PROVISIONS OF THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS (PPDA) RESERVATION SCHEMES GUIDELINE TO PROMOTE LOCAL CONTENT IN PUBLIC PROCUREMENT BY FINE SPINNERS UGANDA LTD**

**SUBJECT OF PROCUREMENT: PROCUREMENT OF CAMOUFLAGE DIGITAL UNIFORMS AND PLAIN UNIFORMS FOR UGANDA PEOPLES DEFENCE FORCES (UPDF) UNDER PROCUREMENT REFERENCE NO. MOD/SUPLS/2022-23/0054**

**COMPLAINANT: ATUBANGIRE NICHOLAS, WHISTLE BLOWER**

**ENTITY: MINISTRY OF DEFENCE AND VETERAN AFFAIRS**

**JANUARY 2025**

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## **Acronyms**

MODVA	Ministry of Defence and Veteran Affairs
PPDA	Public Procurement and Disposal of Public Assets Authority
SUPLS	Supplies
TIN	Tax Identification Number
UGX	Uganda Shillings
UNBS	Uganda National Bureau of Standards
UPDF	Uganda People's Defence Forces

## 1.0 EXECUTIVE SUMMARY

On 18<sup>th</sup> April 2023, the Authority received a complaint from Mr. Atubangire Nicholas in respect to alleged abuse of the Guidelines on Reservation Schemes in public procurement by Fine Spinners Uganda Ltd and the Ministry of Defence and Veteran Affairs (MODVA) under the procurement of camouflage digital uniforms and plain uniforms for Uganda Peoples Defence Forces (procurement reference no. MOD/SUPLS/2022-23/0054).

In accordance with 8 (1) (i) and 53 of the PPDA Act, Cap 205, the Authority conducted an inspection into the procurement process to establish whether the procurement process was conducted in accordance with the public procurement procedures enshrined in the PPDA Act, Cap 205 and PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement.

The Authority established that:

1. On 22<sup>nd</sup> November 2022, MODVA invited bids from Southern Range Nyanza Ltd and Fine Spinners Uganda Ltd for the procurement of camouflage digital uniforms and plain uniforms for UPDF under procurement reference no. MOD/SUPLS/2022-23/0054 using the Request for Quotation (RFQ) method. This procurement was conducted under reservation for providers of uniforms with manufacturing facilities in Uganda as per the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement.
2. The evaluation report indicated that both Southern Range Nyanza Ltd and Fine Spinners Uganda Ltd were eligible and complied with the reservation requirements in the bidding document.
3. On 6<sup>th</sup> December 2022, the Ministry of Defence and Veteran Affairs (MODVA) issued a Notice of Best Evaluated Bidder with Lot 1 (procurement of digital uniforms) awarded to Southern Range Nyanza Ltd at UGX 3,960,000,000 and Lot 2 (plain uniforms) awarded to Fine Spinners Uganda Ltd at UGX 2,487,000,000.
4. The Authority reviewed documents relating to the procurement, held interviews with the Accounting Officer, MODVA, the General Manager, Fine Spinners Uganda Ltd and conducted a physical verification exercise. The Authority established from Fine Spinners Uganda Ltd that the company imported the aforementioned plain uniforms due to shortage in cotton reserves at the production facility. It was indicated that in November 2022, there were mudslides in Kasese which hindered the supply of cotton, and that importing the plain uniforms was undertaken to aid their timely delivery. Whereas, the Accounting Officer informed the Authority that due to the emergency need of the uniforms, Fine Spinners Uganda Ltd was verbally allowed to import the uniforms, there was no evidence on file to support the assertion. In addition, the requirement for local manufacturing of the uniforms was not stated explicitly in the bidding document.
5. The Authority found no merit in the allegation that Fine Spinners Uganda Ltd imported the plain uniforms under the contract for the procurement of camouflage digital uniforms and plain uniforms for UPDF, procurement reference no. MOD/SUPLS/2022-23/0054 in breach of the Guideline on Reservation Schemes to promote local content in public procurement since the Entity allowed the company to import the uniforms given the urgent need for the uniforms in accordance with Clause 3.5 of the PPDA Guideline No. 1/2018 on

Reservation Schemes to promote local content in public procurement which provides that *'where the Entity is unable to get responsive bids from an eligible provider under 3.3, the Entity may procure from a bidder who is not eligible for the reservation. The Accounting Officer should report to the Authority within 10 days from contract execution'*.

6. The Authority further found no merit in the allegation that Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement since breach of the Guideline is not a ground for suspension under the PPDA Act, Cap 205.

The Authority recommends as follows:

1. The Accounting Officer should ensure that in future all communications with providers are in writing in accordance with Section 59(1) of the PPDA Act, Cap 205;
2. The bidding documents issued to providers should comply with the Reservation Schemes Guideline and the Accounting Officer should report to the Authority any deviation from the Guidelines in accordance with Clause No. 3.1 (vi) of the Reservation Schemes Guideline No. 12/2024; and
3. Fine Spinners Uganda Ltd should always seek and obtain written authorization from Entities and notify the Authority of the foregoing circumstances before veering off the path of manufacturing the uniforms locally.

## **2.0 BACKGROUND**

On 18<sup>th</sup> April 2023, the Authority received a complaint from Mr. Atubangire Nicholas relating to the alleged abuse of the guidelines on reservation schemes in public procurement by Fine Spinners Uganda Ltd and the Ministry of Defence and Veteran Affairs (MODVA) under the procurement of camouflage digital uniforms and plain uniforms for UPDF. (Procurement reference no. MOD/SUPLS/2s022-23/0054). The procurement had two lots i.e. Lot 1 for digital uniforms and Lot 2 for plain uniforms.

## **2.1 COMPLAINT**

1. Mr. Atubangire Nicholas alleged that the procurement was undertaken in accordance with the Guideline on Reservation Schemes to promote local content in public procurement and that Fine Spinners Uganda Ltd was awarded the contract having confirmed that it was going to manufacture the uniforms within their facility in Uganda using locally grown cotton, from the ginneries yet it was not able. However, the Company having been awarded the contract under Lot 2 to supply plain uniforms to MODVA imported the uniforms from a Kenyan company, Bedi Investments Limited in breach of the Guidelines; and
2. Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement.

## **3.0 METHODOLOGY**

The following methodology was used in the inspection:

1. Review of documents: The Authority reviewed the procurement action file at MODVA for the procurement of camouflage digital uniforms and plain uniforms for UPDF under

procurement reference no. MOD/SUPLS/2022-23/0054, specifically lot 2 for the plain uniforms;

2. Review of the submissions from the complainant;
3. Physical verification at Fine Spinners Uganda Ltd to assess the capacity to produce plain army uniforms; and
4. Holding interviews with the General Manager, Fine Spinners Uganda Ltd and Accounting Officer, MODVA.

#### **4.0 LAW APPLICABLE**

1. The PPDA Act, Cap 205;
2. PPDA Guideline No. 1/2018; Guidelines on Reservation Schemes to promote local content in public procurement.

#### **5.0 OBJECTIVES OF THE INSPECTION**

The inspection was conducted with the view of establishing whether:

1. There was non-compliance with the provisions of the Guideline on Reservation Schemes to promote local content in public procurement by Fine Spinners Uganda Ltd and MODVA; and
2. The Authority should suspend Fine Spinners Uganda Ltd from participation in public procurement under Section 128 (g) of the PPDA Act, Cap 205 for contravening the PPDA law.

#### **6.0 BRIEF FACTS**

1. On 22<sup>nd</sup> November 2022, MODVA invited bids from Southern Range Nyanza Ltd and Fine Spinners Uganda Ltd for the procurement of camouflage digital uniforms and plain uniforms for UPDF under procurement reference no. MOD/SUPLS/2022-23/0054. This procurement was conducted under reservation for providers of uniforms with manufacturing facilities in Uganda as per the PPDA Guideline on Reservation Schemes to promote local content in public procurement.
2. On 25<sup>th</sup> November 2022, the Contracts Committee reviewed the bidding document for the procurement and objected to the direct procurement method in which only one local provider Southern Range Nyanza Ltd (NYTIL) had been shortlisted. The Contracts Committee recommended a more competitive procurement method to be used to include other local providers of uniforms with manufacturing facilities to achieve value for money. Following the Contracts Committee's approval, the procurement was restricted to local providers of uniforms which led to the invitation, shortlisting and participation of both Southern Range Nyanza Ltd (NYTIL) and Fine Spinners Uganda Ltd in the procurement process.
3. The evaluation report indicated that both providers were evaluated through the preliminary and technical stages for which they were both found to be responsive. At the financial evaluation stage, Fine Spinners Uganda Ltd was evaluated as the best evaluated bidder for

Lot 2 at UGX 2,487,000,000 while Southern Range Nyanza Ltd (NYTL) was the best evaluated bidder for Lot 1 at UGX 3,960,000,000.

4. On 6<sup>th</sup> December 2022, the Entity displayed the Notice of Best Evaluated Bidder indicating that Lot 1- procurement of digital uniforms was awarded to Southern Range Nyanza Ltd (NYTL) at UGX 3,960,000,000 and Lot 2- procurement of plain uniforms was awarded to Fine Spinners Uganda Ltd at UGX 2,487,000,000.
5. On 22<sup>nd</sup> February 2023, the Entity issued a Local Purchase Order to Fine Spinners Uganda Ltd to supply 15,000 pairs of plain cloth uniforms at UGX 82,900 per piece amounting to UGX 1,338,000,000. The order indicated that the contract formation process was ongoing and would follow in due course.

## **7.0 FINDINGS OF THE AUTHORITY**

### **7.1 Whether there was non-compliance with the provisions of the Guideline on Reservation Schemes to promote local content in public procurement by Fine Spinners Uganda Ltd and MODVA**

1. The Authority conducted an inspection of the procurement process in accordance with Sections 8 (1) (j), 9(1) and 53 of the PPDA Act, Cap 205. The Accounting Officer, MODVA confirmed that in the procurement for clothing and uniforms, MODVA reserves all procurements to local providers with facilities to make the uniforms in Uganda.
2. PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement required that for a provider to be eligible under the reservation, they ought to:
  - i. Have a manufacturing facility in Uganda producing uniforms and related clothing materials;
  - ii. Possess a Tax Identification Number (TIN) or its equivalent;
  - iii. Use locally grown cotton from ginneries;
  - iv. Have products certified by the Uganda National Bureau of Standards (UNBS); and
  - v. Be registered on the PPDA Register of Providers.
3. Clause 3.5 of the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement required that *'where the Entity is unable to get responsive bids from an eligible provider under 3.3, the Entity may procure from a bidder who is not eligible for the reservation. The Accounting Officer should report to the Authority within 10 days from contract execution'*.
4. The Authority noted that the procurement was conducted under the reservation for providers of uniforms with manufacturing facilities in Uganda as per PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement where Fine Spinners Uganda Ltd emerged as the best evaluated bidder for Lot 2 (plain uniforms).

5. The Authority observed that the bidding document that was issued to the bidders did not state the eligibility requirements for the bidders to have a manufacturing facility in Uganda producing uniforms and related clothing materials, use locally grown cotton from ginneries among others contrary to the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement.
6. The Authority further noted that in awarding the contract, MODVA relied on the sample provided by the bidders and on the due diligence conducted in the past for previous procurements of uniforms which was irregular.
7. Following the award and signing of the contract, on 22<sup>nd</sup> February 2023, MODVA issued a Local Purchase Order to Fine Spinners Uganda Ltd to supply 15,000 pairs of plain cloth uniforms at UGX 82,900 per piece amounting to UGX 1,338,000,000.
8. A proforma invoice (ref: LOC-2303012) dated 1<sup>st</sup> March 2023 revealed that Fine Spinners Uganda Ltd ordered for the 15,000 pairs of plain uniforms from Bedi Investments Limited, Kenya. The uniforms were imported into Uganda to MODVA as the consignee as per the customs transit document ref: T1 D 27245 dated 7<sup>th</sup> March 2023.
9. The Entity in a meeting with the Authority indicated that the contract for the procurement of camouflage digital uniforms and plain uniforms for UPDF was executed to its satisfaction.
10. According to Section 63 of the PPDA Act Cap 205, the purpose of subjecting a public procurement contract to reservation is to promote the use of local expertise, materials and promote the participation of local organisations.
11. The Authority conducted a physical verification exercise at Fine Spinners Uganda Ltd and interviewed the General Manager, Fine Spinners Uganda Ltd. It was established that the company imported the aforementioned plain uniforms due to shortage in cotton reserves at the production facility. The provider indicated that in November 2022, there were mudslides in Kasese which hindered the supply of cotton and that importation was undertaken to aid the timely delivery of the plain uniforms.
12. The General Manager, Fine Spinners Uganda Ltd informed the Authority that the firm received verbal authorisation from MODVA to import the plain uniforms and provided customs documents upon which the Ministry as a consignee had appointed a custom clearing agent to clear consignment the for customs purposes.
13. The Authority noted from a letter dated 10<sup>th</sup> February 2023, that Fine Spinners Uganda Ltd requested for clearance for temporary importation of plain uniforms due to shortage in cotton reserves at the production facility resulting from the mudslides in Kasese in November 2022 which hindered the supply of cotton.

14. Whereas there was no formal response to the request for a clearance for temporary importation of plain uniforms by the Entity, the Accounting Officer in a verbal interview informed the Authority that due to the emergency need of the uniforms, Fine Spinners Uganda Ltd was verbally allowed to import the uniforms. The failure to document such important decisions affects the audit trail;
15. The Authority therefore noted that Fine Spinners Uganda Ltd imported 15,000 pairs of plain uniforms from Bedi Investments Limited, Kenya instead of manufacturing the uniforms using locally grown cotton from the ginneries with full knowledge of the Entity and hence did not breach the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement; and
16. The Authority therefore found no merit in the allegation that Fine Spinners Uganda Ltd imported the plain uniforms under the contract for the procurement of camouflage digital uniforms and plain uniforms for UPDF, procurement reference no. MOD/SUPLS/2022-23/0054 in breach of the Guideline on Reservation Schemes to promote local content in public procurement since the Entity allowed the company to import the uniforms given the urgent need for the uniforms in accordance with Clause 3.5 of the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement which provide that *'where the Entity is unable to get responsive bids from an eligible provider under 3.3, the Entity may procure from a bidder who is not eligible for the reservation'*.

## **7.2 Whether Fine Spinners Uganda Ltd should be suspended from participating in public procurement**

1. The complainant alleged that Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement.
2. Section 128 of the PPDA Act, Cap 205 on suspension of providers states that:  
*'The Authority may, on the recommendation of a Procuring and Disposing Entity or after investigations on its own initiative, suspend a provider from engaging in any public procurement or disposal process for a period determined by the Authority, where-*
  - a. *The provider breaches the Code of Ethics of providers;*
  - b. *The provider is debarred from the procurement processes of an international agency of which Uganda is a member;*
  - c. *After investigations by the Auditor General or an independent body by the Auditor General, the provider is found to have a record of unsatisfactory performance;*
  - d. *The provider is convicted of a corrupt practice or a fraudulent practice under this Act;*
  - e. *The provider fails to substantially perform the obligations specified in the contract.*
  - f. *The provider is suspended by a professional body of the provider, for professional misconduct; or*
  - g. *The provider is found to have faulted on the obligations specified under the law'.*

3. The Authority noted that Fine Spinners Uganda Ltd substantially performed the obligations specified in the contract by supplying the plain uniforms under Lot 2 worth UGX 2,487,000,000. The Entity confirmed that the contract was fully executed.
4. During an interview with the General Manager, Fine Spinners Uganda Ltd, he confirmed that the firm imported the aforementioned plain uniforms due to shortage in cotton reserves at the production facility which was as a result of shortages from their raw material providers. That in November 2022, there were mudslides in Kasese which hindered the supply of cotton and that importation was undertaken to aid the timely delivery of the plain uniforms.
5. The Authority found no merit in the allegation that Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement since breach of the Guideline is not a ground for suspension under the PPDA Act, Cap 205.

## **8.0 CONCLUSION AND RECOMMENDATION**

In light of the above findings, the Authority found no merit in the allegation that Fine Spinners Uganda Ltd imported the plain uniforms under the contract for the procurement of camouflage digital uniforms and plain uniforms for UPDF, procurement reference no. MOD/SUPLS/2022-23/0054 in breach of the Guideline on Reservation Schemes to promote local content in public procurement since the Entity allowed the company to import the uniforms given the urgent need for the uniforms in accordance with Clause 3.5 of the PPDA Guideline No. 1/2018 on Reservation Schemes to promote local content in public procurement which provides that *'where the Entity is unable to get responsive bids from an eligible provider under 3.3, the Entity may procure from a bidder who is not eligible for the reservation'*.

The Authority further found no merit in the allegation that Fine Spinners Uganda Ltd contravened the law by importing the plain uniforms and hence should be suspended from participating in public procurement since breach of the Guideline is not a ground for suspension under the PPDA Act, Cap 205.

The Authority recommends as follows:

1. The Accounting Officer should ensure that in future all communications with providers are in writing in accordance with Section 59(1) of the PPDA Act, Cap 205;
2. The bidding documents issued to providers should comply with the Reservation Schemes Guideline and the Accounting Officer should report to the Authority any deviation from the Guidelines in accordance with Clause No. 3.1 (vi) of the Reservation Schemes Guideline No. 12/2024; and
3. Fine Spinners Uganda Ltd should always seek and obtain written authorization from Entities and notify the Authority of the foregoing circumstances before veering off the path of manufacturing the uniforms locally.