

Our Ref: PPDA/MAAIF/010

27th June 2025

The Permanent Secretary
Ministry of Agriculture, Animal Industry and Fisheries
P.O. Box 102
ENTEBBE

BID PREPARATORY AUDIT EXERCISE IN THE PROCUREMENT FOR SUPPLY, DELIVERY, TRAINING AND COMMISSIONING OF FOUR (4) WHEEL TRACTORS WITH IMPLEMENTS AND ACCESSORIES UNDER LOTS 1, 2, 3 & 4 (REF: UG-MAAIF-483161-GO-RFB)

Reference is made to the above subject.

The Authority noted that Ministry of Agriculture, Animal Industry and Fisheries is in the process of procuring four-wheel tractors with implements and accessories under Lots 1,2,3 and 4.

In accordance with Section 8 (j) (i) of the Public Procurement and Disposal of Public Assets (PPDA) Act, Cap 205, the Authority conducted a bid preparatory audit into the above procurements. The purpose of the audit was to ensure that the principles of transparency, accountability and fairness have been followed during procurement planning, requisitioning and in the preparation of the bidding documents.

The Authority conducted an analysis of the solicitation document approved by the Contracts Committee and observed the following exceptions;

1.0. Unsupported User specifications

Regulation 3 of the PPDA (Rules) Regulations, 2023 states that a procurement requirement shall be initiated using Part I of Form 5 in Schedule 1. Initiation shall include a description of the supplies required. Part I of Form 5 requires the user department to attach specifications for the supplies to the form.

The Authority found that Form 5 was not on the procurement action file and neither were the specifications. Whereas the bidding document contained the specifications, their source could not be verified in order to identify official ownership. The Senior Procurement Officer in charge explained that a joint review of the specifications was conducted by mechanical engineers at

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MAAIF and Ministry of Works and Transport (MOWT). However, there was no official document to act as evidence of this undertaking.

Implications

- In the absence of the documents, it is difficult to ascertain whether the bidding document accurately reflected the original requirements of the user.
- It is also impossible to determine who authored the specifications, approved them and the responsible party if they are found to be defective, unfair or incomplete.

Recommendation

The Entity should provide the Form 5 and the approved user specifications that guided the preparation of the bidding documents.

1.1. Potentially restrictive financial capability criteria

Section III Evaluation and Criteria of the bidding document requires bidders to meet the financial capability requirements shown in Table 1 below:

Table 1: Financial capability requirements

| Lot No. | Average Turnover | Financial capabilities |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| 1 | A bidder must have a minimum average annual turnover of at least UGX 24 billion for each year within the last five years (2024/2023, 2023/2022, 2022/2021, 2021/2020 and 2020/2019) | Minimum amount of liquid assets and or/ credit facilities net of other contractual commitments of at least UGX 8 billion |
| 2 | A bidder must have a minimum average annual turnover of at least UGX 97 billion for each year within the last five years (2024/2023, 2023/2022, 2022/2021, 2021/2020 and 2020/2019) | Minimum amount of liquid assets and or/ credit facilities net of other contractual commitments of at least UGX 33 billion |
| 3 | A bidder must have a minimum average annual turnover of at least UGX 7.5 billion for each year within the last five years (2024/2023, 2023/2022, 2022/2021, 2021/2020 and 2020/2019) | Minimum amount of liquid assets and or/ credit facilities net of other contractual commitments of at least UGX 2 billion |
| 4 | A bidder must have a minimum average annual turnover of at least UGX 7.9 billion for each year within the last five years (2024/2023, 2023/2022, 2022/2021, 2021/2020 and 2020/2019) | Minimum amount of liquid assets and or/ credit facilities net of other contractual commitments of at least UGX 2 billion |

The Authority notes the following:

- i. According to Table 1, bidders must demonstrate a minimum average annual turnover for each lot, for each of the last five years. An analysis of Table 1 and feedback from the entity

indicates that interest is directed to well-established companies with large scale operations, consistent and high performers. The requirement for each of the last five years emphasizes consistency, high-level performance to reduce the risk of engaging companies that lack long-term stability. The scope of this procurement extends beyond equipment supply and includes after sale services within Uganda, major equipment repairs, outreach services among others.

- ii. The purpose of the requirement for annual turnover is to ensure that the selected firm has adequate financial strength and will not be overstretched if it is awarded the contract. Reasonable financial checks are carried out to ensure that suppliers can meet their obligations and a bidder of low financial standing presents risks to the entity.

The above notwithstanding, entities ought to use criteria that is appropriate, proportionate and one that does not unduly discriminate against any potential bidder. Stringent criteria are likely to deter competition. The criteria ought to be realistic and practical so that participation is guaranteed. The following was observed:

- i. The turnover is not proportionate to the estimated cost of the procurement and the implementation period. While the total estimated cost of the procurement for all four lots is UGX 70.288 billion, and the implementation period is four months, the turnover for a single lot (Lot 2) is UGX 97 billion, which surpasses the estimated cost of the entire procurement.
- ii. The bidding document provided for Joint Ventures of a maximum of two companies and that each member should meet 60% of the requirements in Table 1. Whereas the provision is designed to ensure full commitment from each member and guard against forming joint ventures with the motive of simply meeting the minimum requirements, it appears restrictive and likely to push out potential local firms. Furthermore, the guidance from World Bank dated 14th May 2025 recommended the demonstration of at least 60% for each member of the joint venture on the requirement for specific experience and not all the other financial capability parameters.

Implication

The criteria is unfair and may limit competition. While the bid submission deadline is 30th June 2025, no single bid has been received since the publishing of the advert on 15th May 2025.

Recommendations

The Authority recommends that:

- i. Since the contract is to be implemented within a period of 4 months (120 days), which is less than a year, the required average annual turnover should be equivalent to the estimated cost. If the implementation period spans more than a year, the required average annual turnover to be 1.5 of the annual estimated cost of the contract. Turnover should be calculated by dividing the estimated cost by the number of implementation years.

For instance, if the estimated cost for Lot 1 is UGX 12 billion and implementation is less than a year, the average turnover would be UGX 12 billion. Since the total estimated cost for this particular procurement for all four lots is UGX 70.288 billion, that value would be a sufficient and proportionate requirement.

- ii. The Entity adopts flexible provisions for the joint ventures. The minimum threshold could be set between 25-40% to allow flexibility. A joint venture between a local firm with a smaller turnover and a foreign firm with a higher turnover could still meet the financial requirements without excluding local participation. This will give an opportunity for local firms to work with international firms hence balancing the benefits of financial stability and local participation.

1.2. Lack of pre-bid minutes

ITB 7.1 of the Bid Data Sheet stated that a pre-bid meeting would be held on 4th June 2025. Whereas verbal confirmation by the Senior Procurement Officer in charge indicates that the meeting was held, the record of attendance and meeting minutes were not provided. There was also no evidence that they were shared with the bidders hence hindering transparency in the process.

Implications

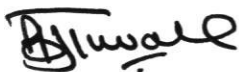
- It is difficult to verify what was discussed and decided that materially affects the procurement process.
- This is likely to delay the bidding process which has a deadline of 30th June 2025.

Recommendations

The Entity should fast track the preparation of the minutes and circulate them to the bidders that attended. Any issues raised should be handled to ensure a smooth process.

The Authority recommends that the above findings are immediately rectified, necessary approvals obtained and bidders notified of the changes before bid closure. A copy of the addendum and revised bidding documents should be submitted to the Authority.

The purpose of this letter is to forward the findings of the bid preparatory audit exercise for implementation.



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EXECUTIVE DIRECTOR

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