PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY

"Procurement That Delivers"

Our Ref: PPDA/NMS/116

17th July 2026

Accounting Officer
National Medical Stores
P.O. Box 16
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BID PREPARATORY AUDIT REPORT ON SELECTED PROCUREMENT PROCESSES AT NATIONAL MEDICAL STORES

Reference is made to the above subject.

In accordance with Section 8(j)(i) of the Public Procurement and Disposal of Public Assets (PPDA) Act Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a Bid Preparatory Audit of two procurement processes at National Medical stores. The audit was undertaken to assess compliance with the PPDA legal and regulatory framework prior to the commencement of bidding, with the objective of identifying weaknesses that could compromise competition, transparency, accountability and value for money.

The following were the two procurements selected for the assessment:

1. Supply of Software Licenses on a three-year framework contract Ref No. NMS/SUPLS/26-27/00003.
2. Provision of Last-mile Distribution & Trunking services for medicines and other medical supplies under a three-year framework contract Ref No. NMS/NCONS/25-26/00125.

The objectives of the audit were to:

i. Establish whether the public procurement and disposal planning and initiation processes were conducted in a manner which promotes transparency, accountability and fairness in accordance with the PPDA Act Cap. 205, PPDA Regulations, 2023 and PPDA Guidelines; and

ii. Establish whether the solicitation documents issued to the bidders were prepared in accordance with the provisions of the PPDA Act Cap. 205, PPDA Regulations, 2023 and PPDA Guidelines.

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The scope of the bid preparatory audit entailed a review of the procurement plan, procurement requisition forms, solicitation documents, bid notices as well as approvals of the Contracts Committee of the procurement method, Evaluation Committee and solicitation document.

The Authority identified the following exceptions with regard to procurement planning, requisitioning and bidding document preparation for the attention of management.

1.0 Whether the public procurement and disposal planning and requisitioning processes were conducted in a manner which promotes transparency, accountability and fairness in accordance with the PPDA Act Cap. 205, PPDA Regulations, 2023 and PPDA Guidelines

The review established that the two procurements assessed had been included in the Entity's approved Annual Procurement Plan for FY 2026/27, initiated within the estimated procurement expenditure and necessary approvals were obtained before commencement.

2.0 Whether the solicitation documents issued to the bidders were prepared in accordance with the provisions of the PPDA Act Cap. 205, PPDA Regulations, 2023 and PPDA Guidelines.

2.1 Restrictive and inadequate Terms of Reference

Sections 50 and 51 of the Public Procurement and Disposal of Public Assets (PPDA) Act Cap. 205 require procurement proceedings to be conducted in a fair, transparent and competitive manner that promotes economy, efficiency and value for money. Accordingly, the Terms of Reference should be clear, consistent, relevant and proportionate to the nature and complexity of the procurement and should not unnecessarily restrict competition.

The review established inadequate and restrictive Terms of Reference in the solicitation document for the procurement of last-mile distribution and trunking services for medicines and other medical supplies under a 36-month framework contract (NMS/NCONS/25-26/00125) as detailed below:

- The Entity required Third Party Logistics providers to have at least three years' experience by attaching recommendation letters from three different organisations in support of satisfactory services performance for at least one year in each of the recommending organisations.

- It further required that such organizations should be of the same size of National Medical Stores. The use of National Medical Stores as a yardstick is subjective and may not easily guide potential bidders whether they qualify if they have the experience in other organisations other than National Medical Stores.

- The Terms of Reference only mention the number of health facilities in selected Districts without detailing the specific health facilities and the distance per individual health facility from the District Headquarters.

Restrictive and inadequate Terms of Reference is inconsistent with the principles of fairness, transparency, competition and value for money and may unjustifiably limit competition by discouraging qualified bidders, exposing the procurement to complaints and administrative reviews, implementation delays and poor-quality deliverables.

The Head, Procurement and Disposal Unit should review and revise the Terms of Reference to ensure that they are comprehensive, clear, objective and aligned with requirements of the Entity. A revised bidding document should be submitted to the contracts committee for approval, and an addendum issued to bidders.

2.2 Failure to provide for the margin of preference

Section 62 of the PPDA Act, Cap. 205 requires Procuring and Disposing Entities to apply the prescribed margin of preference when conducting procurements using Open Domestic Bidding or Open International Bidding, where applicable.

The review established that all two solicitation documents expressly stated that a margin of preference would not apply despite the procurements being conducted using the Open Domestic Bidding method.

Failure to apply a margin of preference denies eligible domestic providers and local manufacturers the statutory benefits intended under Government policy to promote local content, industrialisation and value addition. This limits opportunities for local enterprises to compete on an equitable basis, undermines the achievement of national socio-economic objectives and exposes the procurement process to complaints, administrative review and potential nullification for non-compliance with the PPDA legal framework.

The Head, Procurement and Disposal Unit should revise the solicitation documents to incorporate the margin of preference in accordance with Section 62 of the PPDA Act Cap.205 before the bidding process proceeds.

2.3 Failure to specify the Evaluation Methodology to be applied

Regulation 5(1) of the PPDA (Evaluation) Regulations, 2023 states that "*the evaluation of bids shall be conducted in accordance with the evaluation criteria specified in the bidding documents*".

The review of the two solicitation documents established that under Section 3: Evaluation methodology and criteria, the Entity did not specify the evaluation methodology to be applied and rather stated that "*the evaluation methodology to be used for the evaluation of bids received shall be according to the type of procurement; Technical compliance Selection for supplies and Non-Consultancy Services and Quality and Cost Based Selection for consultancy services*"

Failure to specify the evaluation methodology to be applied on a specific procurement creates uncertainty as to the basis on which bids will be evaluated and exposes the procurement process to subjective assessment.

The Head, Procurement and Disposal Unit should revise the solicitation documents and specify the Evaluation methodology to be used in accordance with PPDA (Evaluation) Regulations 2023.

2.4 Failure to state the exact bid validity date
Regulation 62(1) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 states that "*the bidding documents shall state the date up to which a bid shall be valid*".

The audit noted that in Bid Data Sheet (ITB 20.1) of the bidding document for the provision of Last-mile Distribution & Trunking services for medicines and other medical supplies under a three-year framework contract, the Entity indicated the bid validity period as 120 working days instead of indicating the specific bid validity date.

This creates ambiguity over the period by which bids remain valid, increased risk of inconsistent interpretation, disputes, procurement delays and award of contract based on expired bids. In addition, failure to state a date up to which a bid shall be valid may cause unnecessary complaints since different people calculate working days differently basing on either nationality, faith and others.

The Head, Procurement and Disposal Unit should amend the bidding documents to state the exact date up to which a bid shall be valid in accordance with Regulation 62(1) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 and communicate to all bidders.

2.5 Failure to require a signed copy of Beneficial Ownership declaration form
The Authority noted that Section 3, Evaluation methodology and criteria under eligibility documents of the above procurement, the Entity did not require bidders to submit a copy of Beneficial Ownership declaration form contrary to Circular no.4 of 2022 issued by the Authority on 25th April 2022 that requires submission of Beneficial Ownership information for firms that are awarded government contracts.

Failure to require submission of a copy of signed Beneficial Ownership Declaration Form conceals the actual individuals who ultimately own or control providers. This increases the risk of conflict of interest, collusion and favoritism thereby compromising the integrity of the procurement process.

The Head Procurement and Disposal Unit should revise the bidding document to require submission of a Beneficial Ownership declaration form under eligibility documents and notify all bidders.

2.6 Failure to require submission of a Performance Securing Declaration Form by local providers
PPDA Guidelines No. 3 (3.1) (ii) of 2026 states that "*Performance security in the form of a Bank Guarantee shall not be required for procurement of consultancy services, supplies,*

works and non-consultancy services under all procurement bidding methods for local providers. A Performance Securing Declaration shall instead be required".

GCC 18.3 of the bidding document requires bidders to submit a performance security of 5% in form of a bank Guarantee. However, Guideline No.3/2026 issued on 1st July 2026 states that performance security shall be required for supplies/works under all procurement methods for providers that are not local, and a Performance Securing Declaration for local providers. The Entity did not require submission of a performance Securing Declaration Form by local providers yet the procurement was open to both foreign and local firms in the two procurements assessed.

This may constrain local providers by submitting a Performance Security in form of Bank Guarantees or risk award of contracts to local providers who are not adequately committed to meet contractual obligations.

The Procurement and Disposal Unit should harmonise the requirement in light of the Guideline, considering both non-local and local providers.

In light with the audit findings and recommendations, the Authority accordingly concludes that the solicitation documents require revision to address the identified non-compliance before the procurement proceedings progress. The Procurement and Disposal Unit should ensure that the amendments are approved by the Contracts Committee and new solicitation document or an addendum is issued. Please share with the Authority the revised bidding document after addressing the issues raised.

The Accounting Officer remains responsible for ensuring value for money and for the conduct of the procurement processes to completion in accordance with the provisions of the PPDA Law.

Miriam Bigirwa Nyakamadi
FOR: EXECUTIVE DIRECTOR

cc: The Chairman, Contracts Committee
cc: The Head, Procurement and Disposal Unit