

Once a particular sector within a given geographical area has been specified as eligible for a reservation scheme, only eligible bidders within the given sector or geographical area are allowed to participate in the procurement process. They compete amongst each other for the Procuring and Disposing Entity to obtain the best offer.

### **What purpose does a reservation scheme serve?**

#### **A reservation schemes is intended to;**

- i. Promote the use of local expertise and materials;
- ii. Promote the participation of local communities or local organisations; or
- iii. Promote the applicatio of specific technologies.



Public Procurement & Disposal of Public Assets Authority

## **Amendments to the PPDA Law on Preference and Reservation Schemes**

### **Contact Us**

Public Procurement and Disposal of Public  
Assets Authority (PPDA)  
Plot 37 Nakasero Road  
P. O. Box 3925,  
KAMPALA, Uganda  
Tel: 0 41 4 31 1100, 311162  
E-mail: [info@ppda.go.ug](mailto:info@ppda.go.ug)  
Website: [www.ppda.go.ug](http://www.ppda.go.ug)  
Connect: [www.facebook.com/ppdauganda](https://www.facebook.com/ppdauganda)

## What is a Preference Scheme?

A preference scheme is an arrangement where advantage is given to local bidders when procuring works, goods and services in a public procurement process.

A preference scheme is applied in circumstances where both local and foreign bidders submit bids or proposals and the purpose of the scheme is to give local bidders a competitive edge over foreign bidders.

## When are Preference Schemes used?

Preference schemes are used in the following circumstances:

1. Where the open domestic or open international bidding methods are used; and
2. In respect of consultancy services, where proposals are invited from both national and foreign consultants and the quality and cost based selection method or the least cost selection methods are used.

## How is the margin of preference applied to a bid?

It is applied by adding a specified percentage margin to a financial bid or proposal price of those bidders who do not qualify for preference (a foreign bid/proposal) thereby raising their bid or proposal price.

When procuring goods, works or services under open bidding the following shall apply.

- (a) A Procuring and Disposing Entity is required to grant a margin of preference to goods which qualify for preference domestically manufactured goods, where the goods are manufactured, mined, extracted or grown in Uganda, (15%)
- (b) For Works by Ugandan contractors or services provided by Ugandan consultants, (7%)

## Goods qualify for preference as domestically manufactured goods where-

- (a) The labour or the value addition to the good is more than 30%.
- (b) The production facility in which the goods are manufactured, assembled or processed is in Uganda and is engaged in the manufacturing, assembling or processing of the goods at the time of submission of the bid.

## In respect of a contractor and a consultant;

A contractor and a consultant qualify for preference where -

- (a) The contractor or consultant is incorporated or registered in Uganda and more than 50% of the capital of the contractor or consultant is owned by Ugandan citizens;

(b) If the contractor or consultant is an individual, is a Ugandan citizen; and

(c) If the contractor or consultant is a legal entity, more than 50% of the capital of the contractor or consultant is owned by the Government or by a Procuring and Disposing Entity.

## Reservation Schemes

### What is a reservation scheme?

A reservation scheme is an exception to the general rule that public procurement shall be open to all eligible bidders. A reservation scheme serves to exclude potential bidders from participating in a particular procurement by "reserving" the procurement for specified bidders.

PPDA in consultation with a competent authority and relevant stakeholders, is mandated to specify the public procurement contracts to be subject to a reservation scheme and PPDA shall designate the particular sectors, within a specified geographical area, that are eligible to participate in the reservation scheme.

### Who is eligible to benefit from a reservation scheme?

A reservation scheme is applied to particular sectors designated by the Authority within a specified geographical area, in consultation with a competent authority and relevant stakeholders.