



**PUBLIC PROCUREMENT AND DISPOSAL
OF PUBLIC ASSETS AUTHORITY**

"Procurement That Delivers"

PPDA/MBRC/761

30th January 2024

The City Clerk
Mbarara City Council
P. O. Box 290
MBARARA

**BID PREPARATORY AUDIT INTO THE PROCUREMENT OF A PROVIDER FOR A
SMART STREET PARKING SOLUTION FOR MBARARA CITY FY 2023/24**

Reference is made to the above subject.

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a bid preparatory audit for the procurement of a provider for a Smart Street Parking Solution for Mbarara City. The audit exercise involved a review of the procurement planning, requisition/initiation and solicitation document to be issued to bidders following the Public Procurement and Disposal of Assets Act, 2003, the PPDA Regulations and guidelines.

The objectives of the audit were to:

1. Ensure that public procurement planning and requisition was conducted in a manner which promotes transparency, accountability and fairness in accordance with the PPDA Act, 2003, the Local Governments (PPDA) Regulations, 2006 and attendant guidelines; and
2. Establish whether the solicitation document issued to bidders was prepared in accordance with the provisions of the PPDA Act 2003, the Local Governments (PPDA) Regulations, 2006 and attendant guidelines.

The Authority identified a number of exceptions for the attention of City Management. The purpose of this letter therefore is to communicate the following findings and recommendations for your attention and action:

1.0 Procurement Planning and Initiation process

The following anomalies were noted:

1.1. Failure to undertake market price and needs assessment

The Authority noted that Entity intended to use a percentage based contracting arrangement with the successful bidder. Regulation 95 (1) of the Local Governments (PPDA) Regulations 2006 states that, "a percentage based contract shall be used where it is appropriate to relate the

Head Office
PPDA - URF Towers, Plot 39
Nakasero Road
P.O.Box 3925, Kampala Uganda
Tel: +256-414-311100
Email: info@ppda.go.ug

Western Regional Office
RDC's Building, Bishop Stretcher Road,
Opposite BOU Currency Centre, Mbarara-Kabale Road
P.O. Box 1353, Mbarara, Uganda.
Tel: +256-417-733800
Email: mbararaoffice@ppda.go.ug

Northern Regional Office
Plot 1, Lower Churchill Drive
P.O. Box 999, Gulu, Uganda
Tel: +256-417-432010
Email: guluoffice@ppda.go.ug

Eastern Regional Office
Oval Plaza, Plot 1, Court Road
P.O. Box 2173, Mbale, Uganda
Tel: +256-417-890100
Email: mbaleoffice@ppda.go.ug

Page 1 of 5

fee paid directly to the estimated or actual cost of the subject of the contract.” However, the Entity did not conduct a market survey to establish the following before commencement of the procurement process:

- (i). The Entity did not establish the potential of the revenue centre, that is, how much money the Entity assessed would be collected throughout the estimated contract period. The Entity intended to have a revenue sharing agreement with the successful bidder and this would require setting of a minimum target as part of the Key Performance Indicators of the contract and a realistic target would only be established through an assessment.
- (ii). The Entity did not conduct a market testing to establish the availability of proposed street parking system and the estimated cost contrary to Regulation 65(1) (b) of the Local Governments (PPDA) Regulations, 2006. This would enable the Entity to establish on whether to acquire a provider with an off the shelf existing system or a consultant to develop a new system and the related requirements in terms of time, cost and ease of implementation. This would also enable the Entity to establish threshold for an objective revenue sharing ratio that would enable the provider to recover their investment costs and also maximise the benefits for the Entity.

Implication

This exposes the Entity to the risk of proposing impractical requirements, unfair revenue sharing ratio reserve, and not attracting potential providers.

Recommendation

The User Department and the Procurement and Disposal Unit should establish the potential of the revenue centre, the availability and practicability of the requirements and the costs associated and use this to come up with a practical contract period, percentage based reserve price and also determine on whether to procure an already made system or hire consultants to design a new system.

1.2. The bidding document

The Authority found the following anomalies:

Table 1: Anomalies in the bidding document

No.	Requirement in the solicitation document	Recommendations
	Bid Data Sheet	
1.	Inconsistency in the subject of procurement. ITB 1.2 stated that the subject of procurement was consultancy for the design and implementation of a street parking solution. However, the bidding document and other requirements were for procurement of consultancy services for a street parking revenue collection manager with a digital system.	The Procurement and Disposal Unit should assess the procurement requirements and establish whether the Entity intends to procure Non Consultancy Services or Consultancy Services and follow the appropriate procedures as per the PPDA Act and Regulations.
2.	Failure to hold a pre-bid meeting for a complex procurement as per ITB 11.2. A pre bid meeting would be relevant to interact with the market and provide the necessary clarifications since the procurement requirements are new to the Entity.	The Procurement and Disposal Unit should amend ITB 11.2 to include a mandatory pre-bid meeting.

No.	Requirement in the solicitation document	Recommendations
3.	<p>The Entity did not include the requirement of submission of Beneficial Ownership information by the bidders contrary to PPDA Circular No.1 of 2021.</p>	<p>The Procurement and Disposal Unit should include the requirement for beneficial ownership information by inputting the information in the required form in accordance with PPDA Circular no. 1 of 2021 (Attached). Please note that a Beneficial Owner is defined to mean the natural person who has final ownership or control of a company or a natural person on whose behalf a transaction is conducted in a company, and included a natural person who exercised ultimate control over a company.</p>
Statement of Requirements		
4.	<p>Unfair charging policy under Section 2.1.4. The following parking fees and fines were stated as per the charging policy:</p> <ul style="list-style-type: none"> ○ UGX 500 per hour of parking ○ UGX 200,000 per month of reserved parking ○ UGX 30,000 as a fine for non-payment of billed parking fees that remain unpaid for more than 48 hours after billing. <p>The Authority found the following anomalies:</p> <p>(a). There were no fair packages for daily, weekly and monthly parking arrangements for individuals and organizations that would not make hourly payments.</p> <p>(b). The UGX 200,000 reserved parking for a month was an equivalent to a charge of 400 hours or 50 days and this was uneconomical to the clients compared to the hourly rates of UGX 500 per hour and is unenticing to clients.</p> <p>(c). The UGX 30,000 fine per unpaid ticket was greater than the principal and unfair to the clients. This creates a chance for scrupulous revenue collectors to concentrate on the fine than the parking charges.</p>	<ol style="list-style-type: none"> 1.The City should revise the charging policy and the payment terms in the bidding document to include fair and attractive packages for daily, weekly and monthly parking paid in advance. This will reduce on the risk of defaulters on the hourly tickets. 2.The penalty of UGX 30,000 against a ticket of UGX 500 is likely to stringent to the beneficiaries of the service. The penalty should be a surcharge on each ticket defaulted. This will reduce on the risk of revenue collectors prioritizing penalties over collection of the parking fees. 3.The Entity should include clamping charges for defaulters beyond UGX 30,000. 4.The charging policy should be revised to define temporary stops and allow for a maximum time beyond which a vehicle can be charged a parking fee. 5.All payments should be paid directly to the Entity through electronic, digital or bank payments authorized by the City.
5.	<p>Risk of setting stringent requirements under Section 2.3. The following requirements appear impractical as compared to the existing city infrastructure and costs:</p>	<p>The User Department should conduct an assessment on the relevance of these requirements to the objectives of the procurement and the cost burden</p>

No.	Requirement in the solicitation document	Recommendations
	<ul style="list-style-type: none"> ○ A Parking Geographical Information System (GIS) to map parking sites and provide for navigation of availability of parking slots. ○ An occupancy management system that uses sensors to verify vehicle parking slots and timing. 	<p>implication on the contractor and decide whether to include or eliminate them from the requirements.</p>
6.	<p>Failure to set SMART key performance indicators under Section 6. The KPIs set under Section 6 of the Terms of Reference did not address the following:</p> <ul style="list-style-type: none"> ○ The KPIs for the pre installation stage did not state a target and the scores to be allocated when the provider fails or meets the target. ○ There was no KPI for meeting the target revenue collection which is a key deliverable for this contract. ○ The period of review for the KPIs was not indicated. ○ Clause 6.3 on the penalty clause for not meeting the KPI stated that if a provider fails to achieve a score of 90% from the appraisal, the performance security would be cashed. However, SCC 35.1 eliminated the requirement for a performance security. ○ The terms of reference did not emphasize the need for the successful bidder to conduct training for their staff on usage of software, hard ware, standard operating procedures and professionalism. 	<ol style="list-style-type: none"> 1. Include a work plan for the pre-installation stage and use it as a target and allocate scores for example; 0 for failing to meet the target and 100 for meeting the target. 2. Include a KPI on hitting the revenue targets and allocate the biggest weight since it is the most important deliverable. 3. Include a period up on which the KPI reviews would be conducted for example; one month, quarterly or bi-annually. 4. Revise the penalty clause and make it a basis for renewal of the contract, payment deductions, performance improvement plans or any other measures. 5. The terms of reference should emphasize the need for the successful bidder to conduct training for their staff on usage of software, hard ware, standard operating procedures and professionalism.
Evaluation Criteria and Methodology		
7.	<p>Section 3 of the bidding document stated that the Evaluation Methodology was Technical Compliance Selection Methodology. However, part of the criteria included scores and weights for evaluation of bids under consultancy procurements.</p>	<p>According to the review, the nature of procurement is a non-consultancy service. This is, therefore, to request the Entity to harmonize the evaluation methodology and criteria to include pass or fail criteria in case the Entity intends to use Technical Compliance Selection Methodology in accordance with Guideline No.7/2008 of the Local Governments (PPDA) Guidelines 2006.</p>
8.	<p>Excessive requirements under Section 10.2.1. The Authority found the following criteria excessive given the value of the procurement, "The firm should demonstrate</p>	<p>The requirement is not realistic, the annual turnover is at least between 1-5% of the contract price or annual collection. The value should be appropriate to the estimated price of</p>

No.	Requirement in the solicitation document	Recommendations
	minimum annual turnover of at least UGX 4,000,000,000 in the past two years.”	the requirements to invest in the parking system.
9.	The Entity did not include a requirement for bidders to visit and assess the current Integrated Revenue Management System and compatibility with their proposed systems.	The bidding document should include a requirement for the bidders to visit and assess the compatibility of the existing system and provide proof of a site visit certificate
10.	<p>Ambiguous requirements under Section 10.2.1. The Authority found the following requirements to be ambiguous:</p> <ul style="list-style-type: none"> ○ The bidder should have sufficient capital to invest in infrastructure but the desired sufficient amount was not stated. ○ The Entity did not include management personnel with experience in revenue collection amongst the requirements under schedule of technical personnel. 	<ol style="list-style-type: none"> 1. Include the minimum value for the sufficient capital to invest in the infrastructure. 2. Include personnel with management experience in revenue collection in the schedule of personnel.
11.	Failure to state criteria to determine the best bid at financial evaluation. The bid did not have a price schedule for bidders to enter their proposed revenue sharing ratios. The Entity did not also indicate the collection account conditions for both fines and penalties.	The financial evaluation criteria should provide a schedule for bidders to input their financial bids. The Entity should indicate that the revenue collection account shall be managed by the Entity that shall later remit the percentage of the provider at agreed periods.

The purpose of this letter is to forward to you the findings from the bid preparatory audit exercise for your implementation. In order to administer and enforce compliance with the provisions of the PPDA Act 2003, the Accounting Officer should ensure that revisions are made to the bidding document before it is issued to the bidders.



Moses Ojambo

For: EXECUTIVE DIRECTOR

cc: Chairperson Contracts Committee
cc: Head Procurement and Disposal Unit