

Telephone : 256 41 4707 000  
: 256 41 4232 095  
Fax : 256 41 4230 163  
: 256 41 4343 023  
: 256 41 4341 286  
Email : [finance@finance.go.ug](mailto:finance@finance.go.ug)  
Website : [www.finance.go.ug](http://www.finance.go.ug)



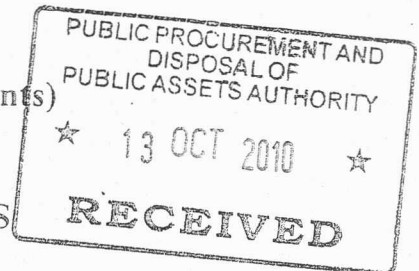
Ministry of Finance, Planning &  
Economic Development  
Plot 2-12, Apollo Kaggwa Road  
P.O. Box 8147  
Kampala  
Uganda

In any correspondence on  
this subject please quote No. **BPD 86/107/02**

THE REPUBLIC OF UGANDA

8<sup>th</sup> October 2010

All Accounting Officers (Central and Local Governments)



## CIRCULAR ON INITIATION OF PROCUREMENTS

Reference is made to the above subject.

We have noted with concern that the absorption capacity of funds for much of procurement for Central and Local Governments was low in the Financial Year 2009/2010. The major cause of this is the late initiation of procurement requirements.

Section 59 of the PPDA Act provides that:

- (1) *All procurement or disposal requirements shall be documented prior to the commencement of any procurement or disposal proceedings;*
- (2) *Procurement or disposal shall only be initiated or continued on the confirmation that funding, in the full amount over the required period, is available or will be made available at the time the contract commitment is made; and*
- (3) *All procurement or disposal requirements shall be approved by the Accounting Officer prior to the commencement of any procurement or disposal process;*

PPDA Regulation 105 (1) and (2) further provides that:

(1) A procuring and disposing entity shall not initiate any procurement proceedings or activities for which funds are neither available nor adequate, except where-

- (a) *the delivery of goods, services or supplies and consequent payments to a provider are anticipated to be effected from future financial years;*
- (b) *for framework contracts, funds will be committed at the time of issue of each specific call of order; or*
- (c) *the Secretary to the Treasury has confirmed in writing that the required funding shall be made available.*

### Mission

*"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"*

*(2) Availability of funds shall be evidenced by budgeted or supplementary funds for the current financial year or an allocation for subsequent years.*

The purpose of this Circular therefore, is to advise all accounting officers that commencement of procurement processes do not have to wait for actual receipt of funds on their respective accounts. Commencement of a procurement process includes signing of the PP Form 20 (Central Governments) or LG PP Form 1 (Local Governments), invitation of bidders, receiving and evaluating bids, Contracts Committee making a decision on the best evaluated bidder and the display of the notice of the Best Evaluated Bidder.

Please note that the Best Evaluated Bidder notice does not amount to a contract. Accounting Officers are advised that Contract signing/issuance of Local Purchase Orders (LPOs), Letter of Acceptance (LoA) should only be done when the actual funds have been received since they create legal obligations between the Entity and the provider.

Where procurements are anticipated to be effected from future financial years, reference should be made to the projections in the Medium Term Expenditure Framework (MTEF) ceiling in accordance with PPDA Regulation 105(1) (a).

In light of the above, all Accounting Officers are urged to initiate procurements well in time for procurement items that fall under the approved procurement plans and budgets for the Financial Year or are part of the approved supplementary funding so that by the time the funds are received by the Entity, a contract, LPO or Letter of Acceptance can be issued and thus ensure that service delivery is expedited.

  
Keith Muhakanizi

**For: PERMANENT SECRETARY/ SECRETARY TO THE TREASURY**

- c.c: Hon. Minister of Finance, Planning and Economic Development
- c.c: Head of Public Service/Secretary to Cabinet
- c.c: Permanent Secretary, Office of the Prime Minister, Kampala
- c.c: Ag. Solicitor General, Ministry of Justice and Constitutional Affairs, Kampala
- c.c: Auditor General, Auditor General's Office, Kampala
- c.c: Executive Director, PPDA, Kampala
- c.c: Director Budget, Ministry of Finance, Planning and Economic Development
- c.c: Accountant General, Ministry of Finance, Planning and Economic Development.
- c.c: Director Economic Affairs, Ministry of Finance, Planning and Economic Development.