



**MAPS**

Methodology for Assessing  
Procurement Systems

# ASSESSMENT OF ETHIOPIA'S PUBLIC PROCUREMENT SYSTEM

2021





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Methodology for Assessing  
Procurement Systems

The Federal Democratic Republic of Ethiopia

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# Assessment of the Public Procurement System

Volume I

2021



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## CURRENCY EQUIVALENTS

(Interbank exchange rate effective June 28, 2020)

1 USD = 34.44 Birr

Fiscal year:

Ethiopian Fiscal Year: July 8 – July 7

In this document:

Fiscal year (FY) refers to the Gregorian FY, unless described as Ethiopian FY.

Year refers to the Gregorian calendar year, unless described as Ethiopian calendar year.



# Acronyms and Abbreviations

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AfCFTA	African Continental Free Trade Area
BI	Budget Institution (PEFA terminology)
BOF	Bureau of Finance (in SNNPR and Addis Ababa City Administration)
BOFEC <sup>1</sup>	Bureau of Finance and Economic Cooperation (in Afar and Oromia)
BSDG	Basic Service Delivery Group
CN	Concept Note
COMESA	Common Market for Eastern and Southern Africa
CoST	Construction Sector Transparency
CPAR	Country Procurement System Assessment
CPF	Country Partnership Framework
CRB	Complaint Review Board
CSO	Civil society organization
DFID <sup>2</sup>	Department for International Development, UK
DLI	Disbursement-linked indicator
DPs	Development Partners
e-GP	Electronic government procurement
ETB	Ethiopian Birr
EU	European Union
FDRE	The Federal Democratic Republic of Ethiopia
FEAC	Federal Ethics and Anti-Corruption Commission
GDP	Gross domestic product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
HPR	House of People's Representatives
HR	Human Resources
IBEX	Integrated Budget and Expenditure
ICB	International Competitive Bidding
IDA	International Development Association
IFB	Invitation for Bids
IFMIS	Integrated Financial Management Information System
IGAD	Intergovernmental Authority on Development
INTOSAI	International Organization of Supreme Audit Institutions
ISO	International Organization for Standardization
KPI	Key performance indicators
L/C	Letter of credit
LIB	Limited International Bidding
LNB	Limited National Bidding
MAPS	Methodology for Assessing Procurement Systems
MDG	Millennium Development Goals
MoF	Ministry of Finance
MSE	Micro and small enterprise
NCB	National competitive bidding

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<sup>1</sup> BOF may be used if the context makes the reference clear.

<sup>2</sup> Foreign, Commonwealth & Development Office (FCDO) from September 2, 2020



NEPAD	New Partnership for Africa's Development
OFAG	Office of the Federal Auditor General
ORAG	Office of the Regional Auditor General
PB	Public Body
PE	Procuring Entity (=Public Body)
PEC	Procurement Endorsing Committee <sup>3</sup>
PEFA	Public Expenditure and Financial Accountability
PFM	Public financial management
PFSA	Pharmaceuticals Fund and Supply Agency
PforR	Program-for-Results (the World Bank financed operation)
PPD	Public Procurement Directive (as relevant in the context, either at the federal or regional level)
PPPDS	Federal Public Procurement and Property Disposal Service
PPL	Public Procurement Law (as relevant in the context either at the federal or regional level)
PPP	Public-private partnership
PPPAA	Public Procurement and Property Administration Agency (at the federal level and in SNNPR)
RFQ	Request for Quotations
RPPPA	Regional Public Procurement and Property Administration Agency in SNNPR
SBD	Standard Bidding Documents
SDS	Service Delivery Secretariat
SDG	Sustainable Development Goal
SNNPR	Southern Nations, Nationalities, and People's Region
SOE	State-owned enterprise
SPP	Sustainable Public Procurement
TAG	Technical Advisory Group
TI	Transparency International
UNCAC	United Nation Convention Against Corruption
UNCITRAL	United Nations Commission on International Trade Law
VfM, VFM	Value for Money

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<sup>3</sup> Customarily referred to as bid endorsing committee (BEC).



# Acknowledgments

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The World Bank gratefully acknowledges the extensive cooperation of and guidance from the government of Ethiopia, in particular the Ministry of Finance (MoF), the Public Procurement and Property Administration Agency (PPPAA), and the Methodology for Assessing Procurement Systems (MAPS) Assessment Steering Committee, led by the State Minister, Fiscal Policy and Public Finance Sector of the MoF.

The Word Bank is grateful to Ato Dawit Shimeles, Director, MoF; H:E W/ro Marta Luwigi, former Director General, PPPAA; and Ato Woldeab Demissie, Deputy Director General, PPPAA for their guidance and support. The World Bank gratefully acknowledges the active support of Ato Negash Bonke, Advisor to the Director General of the PPPAA and its coordinator for the MAPS assessment.

The World Bank also gratefully acknowledges the extensive cooperation of the bureaus of finance and economic cooperation and the regional procurement regulatory officials in the regional states; the procuring entities at the federal and regional levels; *woreda* office and procurement team leaders in *woredas*; the offices of the federal and regional auditor general; federal and regional ethics and anticorruption commissions; National Planning and Development Commission; Auditor General; Attorney General; police; Civil Service Commission; African Development Bank; training institutes; micro and small enterprise development agencies; Construction Sector Transparency Ethiopia; and the private sector, including the Construction Contractors Association of Ethiopia. The Assessment Team is grateful for their contribution and is looking forward to continued cooperation.

The World Bank is grateful for the technical and financial support of the Basic Services Delivery Group members: African Development Bank, European Commission, U.K. Department for International Development, Austrian Development Agency, Italian Agency for Development Cooperation, and Service Delivery Secretariat.

This MAPS Assessment is co-led by Elzbieta Sieminska, Lead Procurement Specialist, and Demelash Demssie, Senior Procurement Specialist, and assisted by a team established by the Bank. The assessment was conducted under oversight of Hiba Tahboub, Practice Manager, and guidance of initially by Pascal Tegwa, Procurement Hub Coordinator and later by Anjani Kumar, who took over the role of the Procurement Hub Coordinator. We would also like to thank Procurement Consultants Hagos Ahmed Abdie, Adanech Tadele Gebregziabher, Bewketu Moges, Hussein Sebrie, Kejela Fufa, and Bernard Rukumbi; Procurement Assistant Messeret Marcos; Program Assistant Judith Ramsey-Williams; and Team Assistant Finot Getachew Wondimagegnehu. Aleme Tachbele, Procurement Specialist, provided data analytics, and Namita Rajesh, Consultant, supported the team in conducting a private sector survey and editing the report. The Assessment Team received extensive input from Belita Manka, Senior Counsel, Legal Vice-Presidency of the World Bank. The Team also included Samuel Mulugeta, Economist; Simeon Sahaydachny, Peter Trepte, and Wassihun Abate, legal consultants; and Hirut Johnson, Leadership Development Specialist. The team received support from Gelila Woodeneh, Senior External Affairs Officer; Rafika Chaouali, Lead Financial Management Specialist; and Meron Tadesse Techane, Senior Financial Management Specialist. Rajesh Kumar Shakya, e- GP expert provided input on e-GP assessment.

The Assessment Team is grateful for the cooperation and guidance that the World Bank Procurement Team in Addis Ababa provided: Ayalew Kebede Belew, Binyam Bedelu, Shimelis Woldehawariat Badisso, and Mogesie Ayele.

The World Bank team received valuable guidance from Carolyn Turk, Country Director for Ethiopia. The team is also grateful for advice received from Nataliya Mylenko, Program Leader.



The Assessment Team is grateful for valuable comments from peer reviewers Knut J. Leipold, Lead Procurement Specialist; Chenjerani Simon B. Chirwa, Lead Procurement Specialist; and Saidu Dani Goje, Senior Financial Management Specialist, as well as Kristina Aquino, Task Leader of the MAPS Programmatic Advisory Services and Analytics.



# Executive Summary

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The executive summary and the main report are consolidated for the federal and regional levels, but specific mention has been made wherever necessary.

## Background

As part of the Growth and Transformation Plan (GTP) agenda, the government of Ethiopia decided to assess and strengthen its public procurement systems. The World Bank, in collaboration with other development partners, supported the government in conducting the assessment.

The primary objective of assessment using the Methodology for Assessing Procurement Systems (MAPS) II is to determine the quality and effectiveness of public procurement systems in Ethiopia, identifying strengths and areas for improvement that would enable the government to undertake reforms to adopt and implement modern, efficient, sustainable, inclusive procurement systems at the federal and regional levels.

Before launching the assessment, the government had begun to draft a new Federal Procurement and Property Administration Proclamation, which was put on hold upon the decision to conduct the assessment. Because the government considered it appropriate and beneficial to use the preliminary findings of the MAPS assessment as soon as possible to resume drafting the new proclamation, the Assessment Team shared real-time feedback on the findings under pillars I and II of MAPS.

In the last 10 years, the Ethiopian government's budget has more than quintupled in nominal terms. Consequently, the public procurement market, which accounts for more than 60 percent (World Bank, 2019) of the budget, has also grown significantly. The annual value of procurement at the federal level in the last several years has been approximately USD3 billion (excluding procurement by state-owned enterprises (SOEs) and the regional states), and the value of the national budget has been approximately USD10 billion to USD12 billion, of which about 40 percent is transferred to the regional states. Nevertheless, as the findings of this assessment show, there is no reliable data collection or monitoring of the public procurement system; the USD3 billion is based on the data reported by about 85 percent of Public Bodies<sup>4</sup> and is not verified. The recent gross domestic product (GDP) of Ethiopia is USD84.36 billion.

In December 2019, Public Expenditure and Financial Accountability assessment reports at the federal level and in Addis Ababa City Administration; Afar; Oromia; and the Southern Nations, Nationalities, and People's Region were issued. PEFA 2019 and MAPS assessments complement each other.

## Assessment Methodology

The assessment was conducted from September 2019 to June 2020 using the MAPS methodology and covered the legal, regulatory, and policy framework; institutional framework and management capacity; public procurement operations and market practices; and accountability, integrity, and transparency of the public procurement system, assessed using 14 qualitative (with 55 sub-indicators and 210 criteria) and 15 quantitative indicators, as a mandatory minimum.

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<sup>4</sup> As defined in the PPL, a public body is any public body that is partly or wholly financed by the federal budget, for example, institutions of higher education and other public institutions.



The assessment covered the public procurement system at the federal level and in four regional states:<sup>5</sup> Addis Ababa City Administration; Afar; Oromia; and Southern Nations, Nationalities, and People's region (SNNPR), which were selected to represent geographical spread and different levels of spending. Lower regional administration levels (selected zones and *woredas*) were also assessed.

The twin emergencies (COVID-19 and the locust plague) that arose during the MAPS assessment provided an opportunity to assess the ability of the procurement system to respond to critical emergency situations and to identify areas for improvement. Detailed findings and recommendations are included in Annex 7 in Volume III of the Assessment Report.

Ten public bodies at the federal level and four to six in each selected region and eight *woredas* (which have a centralized procurement system) were assessed. The assessment was conducted through interviews, desk review of documents, a survey of the private sector, and workshops from September 2019 through June 2020. To assess the performance of the systems, the review included 82 bidding processes at the federal level, resulting in 189 contracts with 590 invoices, and 219 bidding processes in the regional states, resulting in 342 contracts with 735 invoices.

To validate the findings, the Assessment Team held two validation workshops: one with the MAPS Steering Committee and one with members of a broader audience of stakeholders, including public bodies, the private sector, and development partners. The findings and recommendations were presented and discussed during these workshops. The opinion of the private sector was also sought through a workshop and a survey. Feedback received from 127 workshop participants was considered in the report.

## Key Findings and Recommendations of the Assessment

### Key Strengths of the Public Procurement System in Ethiopia

- The legal and regulatory framework is adequately recorded and is organized hierarchically, with precedence clearly established. The public procurement proclamation enshrines basic procurement principles of transparency, efficiency, fairness, and impartiality. Public procurement and property administration must also comply with principles including non-discrimination on any grounds not related to the qualifications of the bidders/candidates, accountability for the decisions, and ensuring value for money in the use of public funds for procurement. There is a specialized framework for public-private partnership (PPP) procurement at the federal level. Standard procurement documents are available for various categories of procurement.
- The institutional framework has several important elements, such as a strong country budget preparation process, planned adoption of public project administration and management, and clearly defined roles and responsibilities of public bodies and procurement regulatory agencies, at the federal level and in SNNPR, as dedicated government organs with juridical personality in charge of regulatory and normative functions. The PPPAA in the Ministry of Finance (MoF) is well placed to drive change (at the federal and regional level), and federal public bodies recognize it as the primary source of advice and guidance.
- Public procurement operations have good inspection and quality control practices, regular dialogue with the private sector, and competitive market in some sectors, such as construction.

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<sup>5</sup> There are two city administrations, and there were nine regional states at the time of the reviews; later, during the assessment, Sidama was separated from SNNPR. Whenever a reference is made to “regional states”, it also include “City Administration”.



- The process of changing the public procurement system at the federal level is expected to be more transparent and inclusive with the newly adopted Federal Administrative Procedure Proclamation No. 1183/2020.
- Bidders have the right to challenge decisions or actions that a public body takes in the conduct of public procurement, subject to specified exclusions. There are rules establishing time frames for submission of challenges and appeals and rules for issuance of decisions at the initial review stage by the head of a public body and for issuance of decisions by the Complaint Review Board (CRB).
- Internal and external control systems are in place. As mandated, each public body has established and maintains an internal audit and inspection department that is primarily responsible for ensuring internal control through audit and follow-up on corrective actions. Likewise, the external audit mechanism is established at the federal and regional level, with an independent audit body accountable to the highest law-making authority in the federal and regional governments.
- Financial transparency and accountability initiative ensures community involvement at the *woreda* level. The initiative to increase financial transparency and accountability, which was begun 15 years ago, is now institutionalized within the government system, creating opportunities for citizen participation in formulating and implementing the budget. Because it has focused on local government, its impact on overall transparency within the broader government has been limited. The government is working to expand the positive experience at the regional and federal levels.
- There is a strong anticorruption framework that allows measures to fight and prevent corruption in public procurement to be introduced. Responsibility for anticorruption is divided among three entities. The federal anticorruption commission and its equivalents at the regional state level are responsible for preventing corruption through public education and awareness, and the Attorney General (prosecution) and police (investigation) are responsible for law enforcement.
- The Public Procurement Proclamation sets out basic procurement principles of value for money, nondiscrimination, transparency, fairness, accountability, and duty of care (art. 5). Following the principles leads to economic gains; better quality of service delivery; and achievement of economic growth, employment opportunity, social welfare, and expansion of the industrial sector, which were the focus areas of the successive phases of the GTP. The MAPS assessment provides a diagnosis that will enable the government to appraise the potential regulatory impact of the public procurement system and determine what changes must be made to the system to enhance its impact on Ethiopia's economy.

## Key Gaps and Proposed Reforms

### *Alignment of legislation (indicators 1, 2, and 14)*

#### Gaps

- There are multiple instances of overlapping and inconsistent instruments within the procurement legal framework (e.g., between Public Procurement Directive (PPD) and Public Procurement Law (PPL) or Public Procurement Manual and PPL). In some cases, the PPD (secondary legislation) introduces matters that would be more appropriately provided under the PPL (primary legislation), such as candidates' or bidders' rights to clarification and the right to judicial appeal. On other occasions, the PPD introduces a wide interpretation or additional provisions on important issues, such as a full list of grounds for exclusion of bidders or exclusions from the right of bidders to complain. In addition, ministries and public bodies sometimes issue lower-level legislation (circulars, letters) that modify the



requirements of procurement legislation for purposes of their own procurement procedures, leading to provisions that materially limit or inappropriately expand the provisions of the PPL.

- There is also a lack of clarity in the link between the procurement legal framework and the Civil Code regarding procurement contracts, and there are inconsistencies in definitions of PPP in the PPL and PPP Proclamation and in the definitions of fraud and corruption between the PPL and the anticorruption law and Criminal Code. Even though the legislative drafting discipline in Ethiopia provides for the order of precedence, the existence of similar provisions in different legislation is likely to create uncertainty and confusion in its application.

### **Recommendations**

- For clarity, legal certainty, and consistency, eliminate the areas of overlap and inconsistency in various documents of the procurement legal framework. More importantly, review and change the practice of ministries other than the MoF and public bodies issuing circulars on procurement-related matters to prevent issuance of circulars that contradict other legal documents, especially at higher levels. Until this is addressed, add a function to the PPPAA to screen all circulars, letters, and similar advisory documents from all sources to ensure that they are consistent with primary procurement legislation. Combine this with a requirement that issuing bodies submit such documents to the PPPAA for examination and publish all documents forming the legal and advisory framework for public procurement in a single, central, easily accessible repository. This includes all documents that the PPPAA issues, as well as those that other ministries and public bodies issue (e.g., National Bank of Ethiopia, Pharmaceutical Fund and Supply Agency). Furthermore, given the fragmented landscape of public procurement, establish a permanent screening mechanism for all circulars, letters, and similar advisory documents from all sources to ensure that they are consistent with the primary legislation.
- Critically examine similar provisions in the procurement legal framework and other legislation, such as the Civil Code and anticorruption law or Criminal Code and ensure that such provisions do not create uncertainty and confusion.

### ***Transparency (indicators 1, 3, 9, and 14)***

#### **Gaps**

- Transparency is an overarching principle of the Public Procurement Proclamation and, as such, should be ensured with as little limitation as possible. The current procurement framework does not mandate publication and disclosure of some key procurement-related documents, information, and decisions such as procurement award decisions and decisions of the CRB. It does not meet the level of transparency required in the United Nations Convention Against Corruption, which Ethiopia has ratified and has become law.

### **Recommendations**

- Publish all directives, circulars, letters, and similar advisory documents in a single, central, easily accessible up-to-date repository, and include key procurement information, such as procurement plans and other procurement data relevant to promoting competition and transparency, including transparency of the flow of funds, in the procurement legislative framework.
- Increase the accessibility and functionality of the federal PPPAA website and maintain its contents. The regional procurement regulatory bodies should create websites, preferably integrated to some degree with the PPPAA website as the central procurement online platform. In the short term, the



bureaus in the regional states should discuss and consider using the federal PPPAA website as a central portal and ensure that documents are published and made accessible to the public.

- Civil society organizations should be more active in monitoring the procurement process and contract management to increase the transparency and effectiveness of procurement.

### ***Regulatory institutional set-up (indicator 5)***

#### **At the federal level and in SNNPR**

##### **Gaps**

- The functions and duties of the regulatory bodies are wide ranging, and duties are not properly segregated, leading to actual or perceived conflicts of interest (e.g., approving the use of nonstandard procedures but also conducting procurement audits, the federal PPPAA providing legal advice to public bodies and participating in the CRB). The agency is accountable and reports to the MoF or Bureau of Finance (BoF), but there is a lack of clarity as to where the lines of accountability lie beyond that. Professionalization of the public procurement workforce is not clearly specified in the core functions of the PPPAA.

##### **Recommendations**

- Consider review of the functions of the PPPAA to identify those that are not defined by the law as functions of the PPPAA and identify those necessary for the agency as a regulatory body; introduce provisions to mandate the agency's role in building capacity and developing a professionalization strategy, innovation and standardization, training, accreditation, registration and monitoring of procurement professionals in the country; and restructure the agency to allow professional, effective delivery of these functions.

#### **Other regional states**

##### **Gaps**

- There is no autonomous government organ dedicated to the regulatory function, which the BoF fulfills in Addis Ababa Administration, Afar, and Oromia.

##### **Recommendations**

- Consider establishing an independent procurement regulatory body in each regional state.

### ***State-owned enterprises (indicator 1)***

SOEs play a key role in the Ethiopian economy. Their operating models vary from operating as and competing with the private sector to performing public tasks and providing public services. Although SOEs are generally not financed from the state budget, they may occasionally receive budget allocations.

##### **Gaps**

- SOEs and other public enterprises or organizations in which the government has a significant interest, stake, or influence, as well as procurement that they conduct, are not expressly included, or excluded from the coverage and scope of the Public Procurement Proclamation. This lack of precise provisions in the proclamation leads to differing interpretations, creating a general lack of transparency and certainty as to the scope of the proclamation in terms of which public bodies are required to comply



with it. Similarly, participation of SOEs as bidders in the procurement process is not regulated in the procurement legal framework.

### **Recommendations**

- Design a specific SOE procurement policy that ensures transparency and value for money. To underpin such a policy, the PPPAA may review a study of SOEs undertaken in Ethiopian fiscal year 2007, if still relevant, and update it or conduct a new study to determine categories of SOEs in the context of government interest in them, their governance structure, use of public funds, and provision of services to the public; identify the need to regulate SOEs' procurement and the objective of doing so; and assess options and what impact they are likely to have on the objectives identified. The federal and regional proclamation should also include provisions on rules for participation of SOEs in public procurement as bidders to promote fair competition.

### ***Rules of participation (indicators 1 and 9)***

#### **Gaps**

- Current procedures and requirements do not ensure equal participation of bidders in tendering procedures. There is a growing tendency to increase the accessibility of public procurement to micro and small enterprises (MSEs) through set-asides and mandatory subcontracting rules, but the criteria defining MSEs do not accommodate all bidders of the same capacity, which has caused bidders of similar capacity to be excluded from the public procurement market. In addition, awarding contracts to inexperienced youth may not lead to successful completion of contracts, particularly in major infrastructure projects.

### **Recommendations**

- Implement the proclamation and ensure consistency of nondiscrimination at all levels of legislation. Accordingly, remove provisions that differentiate qualification criteria depending on bidders' nationalities. Ensure that qualification requirements are defined to assess bidders' skills, experience, and resources and their ability to perform the contract. Implement other collateral objectives such as protecting the interests of national bidders using measures such as price preference.

### ***E-government procurement (indicators 1 and 7)***

#### **Gaps**

- Implementation of an electronic government procurement (e-GP) system in Ethiopia is part of public financial management reforms. Delayed introduction of e-GP means that opportunities to boost transparency, efficiency, and competition are being missed, although a system is being developed by enhancing the existing e-procurement system that the Ministry of Innovation and Technology developed and piloted. The expanded pilot of the enhanced system in seven selected agencies was postponed to July 2021 because of the COVID pandemic.
- Provisions of the legal framework throughout the procurement cycle have been drafted only for the paper-based procurement system.



## Recommendations

- Carry out the pilot in the selected seven agencies as soon as possible and introduce the system in all public bodies gradually. Ensure that all data are reported in an open data format so that the system can be monitored.
- Initiate a dialogue with the regional states and prepare a roadmap to implement the e-GP system in the regional states.
- Review and update the Public Procurement Proclamation and the corresponding directive and implementing rules to reflect new practices to be followed when conducting procurement electronically.

## *Capacity building and professionalization (indicators 6 and 8)*

### Gaps

- Procurement function and positions are identified in the civil service structure, but job requirements are generically defined and not based on competencies. In addition, training programs are not integrated and aligned with job requirements and are not considered for placement or promotion. As a result, there is a high probability of mismatch between specified and required skills in procurement positions. In addition to affecting overall procurement performance, this could decrease morale and motivation in the procurement workforce.

## Recommendations

- At the federal level, update the training strategy and define responsibilities for designing, monitoring, updating, and delivering training and ensuring its quality, and delivery.
- Revise procurement job requirements at all levels (federal, regional, zonal, *woreda*) to include technical and behavioral competencies. Develop a performance evaluation system specific to public procurement and link it to incentives and promotion.
- At the regional level, consider establishing permanent training programs of suitable quality or work with the federal PPPAA to access training programs offered at the federal level.

## *Performance of public procurement system*

### Record keeping (indicators 3 and 9)

### Gaps

- Procurement records, including payment documents, are not complete and accessible. There is no security protocol to protect records. The document retention policy is provided in Financial Administration Proclamation No. 648/2009 (Ethiopian FY).

## Recommendations

- Perform a dedicated review of the record-keeping arrangements of public bodies, with systematic follow-up if there are gaps and weaknesses. Pay special attention until significant improvement is achieved.



### ***Market analysis (indicators 4 and 9)***

#### **Gaps**

- There are no mechanisms or supporting tools to enable procuring entities to conduct meaningful market assessments that inform selection of the optimal procurement approach.

#### **Recommendations**

- Consider introducing a requirement and provide tools and templates to support needs analysis and market research and define optimal procurement strategy based on the value and complexity of the procurement.

### ***Sustainable procurement (indicator 3)***

#### **Gaps**

- There are no legal requirements or existing practices to apply sustainability criteria (environmental, social, economic) except in the use of the price preference margin allowed for goods and services manufactured locally or regarding participation of MSEs. In some cases, contracts up to certain thresholds are reserved for MSEs, limiting access to public procurement for similarly small firms that are not registered as MSEs. In addition, some of the regional states apply mandatory subcontracting of up to 40 percent for MSEs in contracts awarded to non-MSEs. Some regional states apply an additional preference by including rated criteria for work that bidders perform for the local community. At the federal level, mandatory contracting for local contractors is widely practiced in big road projects, although procurement legal documents do not support it.
- Measures to implement social objectives through the procurement system, unless properly studied and complemented by other measures, might create unintended social and economic consequences, most importantly not achieving value for money in procurement procedures. There is a history of applying preferential schemes without any systematic measurement of success or impact.

#### **Recommendations**

- Assess requirements for use and impact of preferential schemes at the federal and regional levels and adjust the schemes as necessary.

### ***Use of price and nonprice evaluation attributes (indicators 1 and 9)***

#### **Gaps**

- Although combined price and nonprice attributes can be used, life cycle costing seems to be focused on property and asset management and is not used in procurement.

#### **Recommendations**

- Use a life cycle costing methodology for procurements for which this may lead to better outcomes. Prepare practical guidance and provide practical training for public bodies conducting evaluations using quality and other criteria.



### ***Bidding documents (indicators 1, 2, 10, and 14)***

#### **Gaps**

- Many public bodies in the regional states use the standard bidding documents (SBDs) that the PPPAA developed in 2011 even if they have their own SBDs. In some sectors, the SBDs are not proportional to the market and thus are not practical.

#### **Recommendations**

- Update and modernize the PPPAA SBDs developed in 2011 and ensure that they are proportional to the market and fit for purpose. Provide training on their content and application. The regions may consider mandating use of the federal SBDs in the regional states, whose procurement systems were assessed, in consultation with the federal PPPAA and other regional states to ensure consistency. Provide adequate guidance and instruction on the use of SBDs

### ***Key quantitative performance indicators (indicator 9)***

#### **Gaps**

- The following indicators, based on the sample contracts, indicate serious deficiencies with respect to lead time, timely payment of invoices, level of participation by bidders, and contract time overruns.

No.	Indicator	Federal	Addis Ababa City Administratio n	Afar	Oromia	Southern Nations, Nationalities, and People's Region
1	Invoices paid on time (%)	31	54	76	57	57
2	Average time to procure (days)	200	139	126	109	80
3	Average number of responsive bids	5	4	3	5	4
4	Contract time overrun (days)	229	90	371	140	88

#### **Recommendations**

- Where relevant, public bodies, in cooperation with the MoF or BoF and the regulatory bodies, should review their processes and improve them by removing unnecessary steps, bottlenecks, and problems that cause key indicator values to fall below expected standards.
- In regional states with a limited market, use innovative procurement arrangements to mitigate the impact of the limited market at the local level, including enhanced use of centralized procurement arrangement.

### ***Complaint review mechanism (indicators 1 and 13)***

#### **Institutional set-up**

#### **Gaps**

- The federal CRB, established under the auspices of the Minister of Finance, is not fully independent. There are close links between the PPPAA and the CRB. The Public Procurement Proclamation provides that the PPPAA shall serve as the Secretariat of the CRB. In that context, the Secretariat receives and processes complaints. Its functions include not just administrative and logistical support, but also



analysis of complaints and provision of expert opinions on complaints. This means that arguably, in the course of its activity, the CRB may be asked to review complaints that relate to a procurement process that the PPPAA reviewed or cleared. The MoF appoints and dismisses members of the CRB, but the legal framework does not address the basic qualifications of members or the conditions for their dismissal. Moreover, board members are drawn from representative groups that, without proper safeguards, are placed in potentially difficult positions concerning actual or perceived independence and conflict.

- The CRB is not adequately resourced and staffed. The PPPAA provides administrative and logistical support and expert and specialist advice. Coupled with the lack of independence, capacity and resource limitations have affected the CRB's credibility in handling complaints.
- In all of the regional states visited except SNNPR, the BoF reviews procurement complaints, and the private sector is not represented. The complaint review process lacks independence.
- In all of the regional states visited except Addis Ababa, the complaint handling system is not accessible to bidders at the local level. Aggrieved bidders must travel to the regional capital to lodge and follow up on their complaints.

### Recommendations

- Consider establishing a clear structure for the CRB, independent from the PPPAA and MoF, with transparent procedures for appointment and dismissal of members based on the defined qualification criteria. To achieve this, establish a secretariat for each review body and provide adequate resources.
- The big regional states such as Addis Ababa and Oromia can consider sharing the service of one CRB with the federal government or establish independent CRBs in each region.
- Establish a complaint handling structure at the local level (maybe in the administration office), as suggested in the model pool manual that the MoF issued.

### Procedural

#### Gaps

- Exclusions from the right to review, in particular regarding selection of procurement method, and selection of bidders, and evaluation criteria, mean that bidders and candidates cannot seek review of significant decisions and issues in the very operation of the overall regime. In PPP projects, it appears that bidders have the option to complain to the PPP Directorate or the PPP Board, and the PPP Proclamation provides that the complaint and review mechanisms provided for in the Public Procurement Proclamation are applicable to PPPs.

### Recommendations

- Ensure bidders' rights to seek review of all decisions in the course of the procurement process.
- Ensure that applications for appeal and full decisions of the board are published in easily accessible places and within a specified time.
- Have a direct reference in the Public Procurement Proclamation to the fact that PPP complaints fall within the scope of the complaint provisions in the Public Procurement Proclamation and within the jurisdiction of the CRB.



### ***Resolving disputes in contracts (indicator 1)***

#### **Gaps**

- It is not clear whether arbitration can be used to resolve disputes under procurement contracts.

#### **Recommendations**

- Clarify when arbitration shall be used as a forum. Arbitration would enable parties to settle their disputes using professional arbitrators who are conversant on the matter, instead of ordinary judges who have no specialization in the area of the contract subject matter.

### ***Ethics (indicator 14)***

#### **Gaps**

- The legal framework requires the procurement code of ethics but does not specify that failure to comply would result in administrative or criminal punishment. In addition, there is no professional procurement association that monitors integrity in procurement.

#### **Recommendations**

- The legal framework should provide provisions on enforcement of the procurement code of ethics, and the regulatory bodies should work with the relevant bodies to establish a professional procurement association or other mechanism that could enhance integrity in procurement.

### ***Public-private partnerships (indicator 1)***

#### **Gaps**

- The PPP Board includes members from the private sector, creating the potential for conflicts and disclosure of confidential information.

#### **Recommendations**

- Develop a clear, specific ethics policy for PPP accompanied by ethics training and signed statements, in light of the role of the PPP Board and the profile and value of projects.

### ***Procurement audit (indicator 12)***

#### **Gaps**

- The regulatory bodies are given the functions of auditing and monitoring. Whereas auditing would normally feed into a monitoring function, monitoring encompasses a much broader need for system measurement and analysis. The PPPAA audit manual provides standards to follow in auditing procurement conducted by public bodies. It also says that, for information the PPPAA may forward audit reports to the Office of the Federal Auditor General (OFAG) or the Office of the Regional Auditor General (ORAG), which are independent bodies that audit all public bodies every year using the INTOSAI auditing standards. Their regularity audit includes procurement. There is lack of clarity about the scope of the two bodies' mandates on this common function, which creates uncertainty in the precedence of such reports and follow-up actions by the public bodies.
- Recommendations from reviews performed by regulatory bodies and audits performed by OFAG and ORAG are not implemented in a timely manner.



## Recommendations

- Provide a clear division of responsibilities between institutions to ensure that they operate within their authorized mandates to avoid overlap or duplication and ensure efficiency and complementarity in the conduct of such functions. In the long term, have regulatory bodies prioritize the monitoring function, which will require new approaches, additional capacity, and possibly tailored software to allow for collection and analysis of data and production of system reports. Such a procurement review should be differentiated from the audits that OFAG and ORAG conduct and be coordinated with OFAG and ORAG for consistency.
- Ensure that public bodies implement audit recommendations within the prescribed period. This requires strengthening enforcement and accountability mechanisms at the public body level, as well as oversight authorities, including at the parliamentary level.

## *Anticorruption measures (indicator 14)*

### Gaps

- The list of offenses in the Public Procurement Proclamations mixes administrative and criminal wrongdoing, with penalties not commensurate with the offenses provided in the Criminal Code. In addition, they are inconsistent with the anticorruption law and insufficiently drafted (e.g., missing the intent of the wrongdoing). There is no alignment of fraud and corruption definitions in the procurement legislative framework and other laws.
- There are several dedicated institutions in Ethiopia with a mandate to prevent, investigate, and prosecute fraud and corruption, but no reports or data on fraud and corruption in procurement are available. There is insufficient exchange of information between federal and regional attorneys general (Federal Ethics and Anti-Corruption Commission (FEAC) before 2016 when the function of the Attorney General was with FEAC) and the regulatory bodies to ensure consistency of the sanctions.

## Recommendations

- Ensure consistency of public procurement legislation and other laws.
- Strengthen cooperation and information sharing between institutions. Consider developing an integrated anticorruption strategy and use modern technologies to detect misconduct (e.g., collusion), some of which can be embedded in the e-GP system. Ensure availability of and access to information showing evidence that laws on fraud, corruption, and other prohibited practices are being enforced.

## Priorities

The actions to address the identified gaps are of a diverse nature and require legislative and institutional reforms supported by behavioral changes. Some gaps cannot be addressed only by actions within the procurement framework; their improvement depends on factors external to it. Normally, actions are implemented considering their priority, as determined by impact, complexity, and support. The Public Procurement Proclamation is undergoing a major revision, providing an opportunity to accommodate all recommendations related to the legal framework and supporting documents. Other key recommendations are captured in the summary of the action plan, which is included in Section 5 of this report, pending preparation of a comprehensive action plan.



## Some Additional General Procurement Matters

- **Intra-harmonization:** Because the federal government and region states have their own public procurement systems, it is recommended that, within the constitutional framework, the federal and regional regulatory bodies consider coordinating the federal and regional public procurement systems. Areas that are arising from the assessment as being the easiest to implement and providing the quickest and biggest advantages are:
  - Harmonized SBDs
  - Common procurement information platform at the federal and regional levels
  - Common e-GP system at the federal and regional levels
  - One CRB (where feasible and advantageous)
  - Harmonized professional standards, job grading, and competency requirements
  - Coordinated capacity building and training
- **Foreign currency shortage affecting procurement performance:** Lack of foreign currency is a major challenge affecting the economy beyond procurement and cannot be resolved through procurement. Lack of foreign exchange limits the ability to make timely payments to foreign contractors and suppliers and the ability of local contractors and suppliers to deliver their contracts when they need imported input. Ultimately, this results in less competition, loss of trust within the industry, limited access to innovation, delays in contract execution and completion, and increases in contract prices. Although some public bodies try to find solutions, this should be addressed systemically and centrally to minimize the impact of the lack of foreign exchange.
- **Emergency procurement:** The twin emergencies (COVID 19 and the locust plague) that arose during the MAPS II assessment period provided an opportunity to assess the ability of the procurement system to respond in critical emergency situations and to identify needed areas of improvement.

Provisions in the legal framework for public procurement addressing emergency procurement are limited. Inefficient, time-consuming procedures ancillary to the procurement system may also limit the effectiveness of emergency procurement. For example, items procured quickly using emergency procurement procedures may nevertheless sit in customs for a long-time awaiting clearance, offsetting emergency efforts in procurement.

A more developed legal and policy framework for emergency procurement would support fit-for-purpose procurement solutions that consider the stage of the emergency response (e.g., immediate response, disaster relief). An organizational structure with powers and responsibilities and an accountability framework that would be triggered in the case of emergency should be developed, and a legislative framework should be developed, and procurement integrated into national disaster preparedness planning.
- **Supplementary assessments:** The MAPS analytical framework consists of a core assessment methodology and six supplementary modules. To complement this core assessment and use synergy of the core and supplementary assessments, the government may consider undertaking the following specific assessments:
  - An assessment of the agricultural sector using the Sector-Level Assessment Module. The objective of a sector-level assessment is to provide a comprehensive understanding of the overall functioning and performance of public procurement and general business environment in the



sector as they relate to the private sector's trust in conducting business with the government, as well as its ability and capacity to access public procurement markets and respond to the sector's needs.

- An assessment of procurement professionalization using the Module for Professionalization, which is intended to identify aspects of the professionalization policy where improvements are required and the best way to implement them and to identify indicators to guide and accelerate professionalization of public procurement.



## Overview of indicators' ratings

Table ES1 provides an overview of compliance of the federal public procurement system. Overview tables for the regional systems are provided in the indicator matrices.

Table ES1: Federal public procurement system of Ethiopia: Overview of compliance with indicators of the Methodology for Assessment of Procurement Systems

Red flags raised ✓	Non-compliance	Partial compliance	Compliance				
Indicators are assessed against several criteria. Non-compliance with an indicator is considered if at least one criterion is not met. Partial compliance is considered if at least one criterion is partially met. Compliance is considered if all criteria are met.							
1. The public procurement legal framework achieves the agreed principles and complies with applicable obligations.	<b>Pillar I</b>	4. The public procurement system is mainstreamed and well-integrated into the public financial management system.  5. The country has an institution in charge of the normative / regulatory function.  6. Procuring entities and their mandates are clearly defined.  7. Public procurement is embedded in an effective information system.  8. The public procurement system has a strong capacity to develop and improve.	<b>Pillar II</b>	9. Public procurement practices achieve stated objectives.	<b>Pillar III</b>	11. Transparency and civil society engagement foster integrity in public procurement.	<b>Pillar IV</b>
	✓ 1(a) Scope of application and coverage of the legal and regulatory framework		4(a) Procurement planning and the budget cycle		✓ 9(a) Planning		11(a) Enabling environment for public consultation and monitoring
	1(b) Procurement methods		✓ 4(b) Financial procedures and the procurement cycle	✓ 9(b) Selection and contracting	11(b) Adequate and timely access to information by the public		
	✓ 1(c) Advertising rules and time limits		5(a) Status and legal basis of the normative / regulatory institution function	✓ 9(c) Contract management	11(c) Direct engagement of civil society		
	1(d) Rules on participation		5(b) Responsibilities of the normative / regulatory function	10(a) Dialogue and partnerships between public and private sector	✓ 12(a) Legal framework, organisation and procedures of the control system		
	1(e) Procurement documentation and technical specifications		✓ 5(c) Organisation, funding, staffing, and level of independence and authority	✓ 10(b) Private sector's organisation and access to the public procurement market	12(b) Coordination of controls and audits of public procurement		
	1(f) Evaluation and award criteria		5(d) Avoiding conflict of interest	10(c) Key sectors and sector strategies	✓ 12(c) Enforcement and follow-up on findings and rec.		
	1(g) Submission, receipt, and opening of tenders		6(a) Definition, responsibilities, and formal powers of procuring entities	10. The public procurement market is fully functional.	✓ 12(d) Qualification and training to conduct procurement audits		
	1(h) Right to challenge and appeal		6(b) Centralized procurement body		13. Procurement appeals mechanisms are effective and efficient.	13(a) Process for challenges and appeals	
	1(i) Contract management		7(a) Publication of public procurement information supported by information technology			13(b) Independence and capacity of the appeals body	
	1(j) Electronic Procurement		7(b) Use of e-Procurement			13(c) Decisions of the appeals body	
2. Implementing regulations and tools support the legal framework.	1(k) Norms for safekeeping of records, documents, and electronic data.	7(c) Strategies to manage procurement data	14. The country has ethics and anticorruption measures in place.	14(a) Legal definition of prohibited practices, conflict of interest, and associated responsibilities, accountabilities, and penalties			
	1(l) Public procurement principles in specialized legislation	8(a) Training, advice, and assistance		✓ 14(b) Provisions on prohibited practices in procurement documents			
	2(a) Implementing regulations to define processes and procedures	✓ 8(b) Recognition of procurement as a profession		✓ 14(c) Effective sanctions and enforcement systems			
	2(b) Model procurement documents for goods, works, and services	8(c) Monitoring performance to improve the system		✓ 14(d) Anti-corruption framework and integrity training			
3. The legal framework reflects the country's secondary policy objectives and international obligations	2(c) Standard contract conditions	8. The public procurement system has a strong capacity to develop and improve.	10. The public procurement market is fully functional.	✓ 14(e) Stakeholder support to strengthen integrity in procurement			
	2(d) User's guide or manual for procuring entities			14(f) Secure mechanism for reporting prohibited practices or unethical behaviour			
	✓ 3(a) Sustainable Public Procurement (SPP)			✓ 14(g) Codes of conduct / codes of ethics and financial disclosure rules			
	3(b) Obligations deriving from international agreements						

Figure ES1a-e shows an aggregated overview of compliance of the public procurement system with MAPS criteria and indicators at the federal and regional levels.

**Figure ES1. Aggregated Overview of Compliance of Public Performance System with Methodology for Assessing Procurement Systems Criteria According to Indicator**



# 1. Introduction

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## 1.1 Strategic Context of and Rationale for the Assessment

Public procurement is a major economic activity in any economy. In Organization for Economic Cooperation and Development countries, an average of 12 percent<sup>6</sup> of gross domestic product (GDP) is spent on public procurement. This figure is even larger in developing countries such as Ethiopia, where governments must invest the largest share of their budget to address major deficiencies in basic infrastructure such as roads, hospitals, and schools. Over the last 10 years, the Ethiopian government's budget has more than quintupled in nominal terms. Consequently, the public procurement market, with a share of more than 60 percent (PEFA Ethiopia 2019) of the budget, has also expanded significantly. The market is even larger if procurement by state-owned enterprises (SOEs), which the existing Public Procurement Law (PPL) does not govern, is considered. SOE procurement mainly consists of infrastructure investment in such things as airports, railways, hydro dams, and telecommunication facilities.

The Growth and Transformation Plan (GTP) II identified investment in infrastructure projects as crucial to economic growth, employment, social welfare, and expansion of the industrial sector. Government investment in large infrastructure projects has increased access to basic services in health, education, water, and sanitation for the poor population of Ethiopia, although there is concern about the effectiveness of projects associated with weak, ineffective procurement and contract administration. For instance, a performance audit conducted in 2017/18 found that multiple time extensions and additional funds were requested for 290 projects.<sup>7</sup> Likewise, the Grand Ethiopian Renaissance Dam and 13 large sugar factory projects experienced ineffective procurement implementation and contract administration, leading to delays and huge cost overruns. This has resulted in huge opportunity loss to the people of Ethiopia and mistrust of the government, causing years of unrest in the country.

The new administration in Ethiopia has openly recognized the capacity limitations on procurement and contract administration and rent-seeking behaviors in planning and implementing projects and vowed to institute reforms. Accordingly, the government began to take critical measures to address the problem systemically and sustainably. One of the measures is aimed at increasing capacity to administer government projects. The government prepared a new project administration proclamation that the Council of Ministers endorsed and is expected to be presented to parliament soon. The proclamation is designed to enhance the government's capacity to plan, implement, and monitor government projects.

The government is also revising the public procurement and property administration proclamation to increase the efficiency, fairness, and effectiveness of the procurement and property administration system and enable it to achieve the country's development objectives by making laws transparent and up to date. The draft proclamation benefited from the Methodology for Assessing Procurement Systems (MAPS) assessment that provided interim recommendations relevant to the legal framework. The new draft procurement and property administration proclamation is expected to be enacted soon.

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<sup>6</sup> OECD (Organisation for Economic Co-operation and Development). Public Procurement.

<http://www.oecd.org/gov/public-procurement/>. Accessed [May 2020]

<sup>7</sup> <http://www.ofag.gov.et/ofag/audit-report/>



To address the weaknesses of the public financial management (PFM) system, in collaboration with development partners, the government conducted a Public Expenditure and Financial Accountability (PEFA Ethiopia 2019) assessment that was recently completed. The assessment was designed to identify PFM weaknesses that may inhibit effective delivery of services to citizens and realization of country development objectives. Furthermore, the findings of the PEFA assessment will assist the government in refining the PFM reform strategy that it has already developed and provide the basis for a coherent PFM reform program.

The government is working to establish an electronic government procurement (e-GP) system to increase efficiency and transparency in the procurement system. The government embraced a home-grown system that the Ministry of Communication and Information Technology developed. After finalizing development of the software and testing it, piloting activities started in July 2021.

As of May 31, 2020, Ethiopia had registered 1,172 confirmed cases of COVID-19 and 11 deaths, with rates of cases and deaths increasing. The government declared a state of emergency, and all relevant institutions and the public are taking measures to prevent the spread of the virus. The Public Procurement and Property Administration Agency (PPPAA) and the Ministry of Finance (MoF) have issued circulars to facilitate procurement related to COVID 19, but the circulars are not adequate to address procurement challenges arising during an emergency. Thus, the PPPAA is preparing a comprehensive emergency procurement procedure, benefiting from the assessment, which has been expanded to cover the pandemic.

The MAPS assessment has taken place at the same time the government is taking all these measures to improve performance in the use of limited public resources. The assessment will complement the measures and enable the government to improve overall procurement performance more comprehensively and sustainably, including establishing a system to address procurement during an emergency.

## 1.2 Development Objective of the Assessment

As part of the transformation agenda, the government of Ethiopia aims to transform the performance of government functions, including public procurement functions because of their importance in contributing to economic development and good governance. The government has been reforming procurement for years using diagnostics such as the Country Procurement System Assessment, although the last assessment was done in 2010. The government realized that it is time to reassess the public procurement system and strengthen it through effective reforms informed by adequate assessment of the system using internationally developed tools and methodologies.<sup>8</sup>

The primary objective of the MAPS II assessment is to assess the quality and effectiveness of public procurement systems in Ethiopia, identifying strengths and areas for improvement that would enable the government to undertake reforms necessary for adoption and implementation of a modern, efficient, sustainable, more inclusive procurement system at the federal and regional levels. More immediately, the assessment will provide real-time feedback to inform the ongoing revision of the procurement proclamation to address the gaps identified in the existing proclamation.

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<sup>8</sup> Director General of the Public Procurement and Property Administration Agency in a letter to the World Bank dated September 23, 2011 (Ethiopian calendar year).



## 1.3 Methodology of the Assessment

The government of Ethiopia decided to assess the public procurement system in Ethiopia using MAPS II and established a steering committee chaired by the State Minister, Fiscal Policy and Public Finance Sector, MoF and co-chaired by the World Bank and comprising the Director General of the PPPAA and representatives of the bureaus of finance (BoFs) of the participating regional states, the African Development Bank, the Ethiopian Road Agency, the Ministry of Agriculture, the Pharmaceuticals Fund and Supply Agency, the Construction Sector Transparency (CoST) Initiative, and the Chamber of Commerce. Later, the government expanded the Steering Committee by inviting representatives of the regional states.

The assessment, conducted from September 2019 to June 2020 using the MAPS methodology, covered the legal, regulatory, and policy framework; institutional framework and management capacity; public procurement operations and market practices; and accountability, integrity, and transparency of the public procurement system, organized into 14 qualitative (with 55 sub-indicators and 210 criteria) and 15 quantitative indicators as a mandatory minimum.

The World Bank established the Assessment Team to support the government in conducting the assessment, which included procurement at the federal level and in four regional states. In accordance with the Concept Note, in the first stage, after conducting the stakeholders' analysis, the team undertook the qualitative and quantitative assessment by collecting data through review of documents, interviews, and surveys at the federal level. This assessment was then followed up in the four regional states using the same methodology. The data were analyzed against the criteria for the assessment indicators of the MAPS II methodology to identify strengths and weaknesses of the system. Their further analysis and interpretation allowed the areas that have material or substantial gaps and require action to improve the quality and performance of the system to be identified.

Before deciding to undertake the assessment, the government of Ethiopia had already started drafting a new federal Procurement and Property Administration Proclamation. Nonetheless, the government considered it appropriate and beneficial to use the findings of the MAPS assessment in drafting the new proclamation and requested that the team provide the preliminary findings as soon as available. The team provided the preliminary review to the Government, which served primarily this purpose. The preliminary findings and recommendations from the assessment were documented in the preliminary review to provide a basis to initiate implementation of modern, efficient, sustainable, more inclusive procurement systems at the federal and regional levels.

The preliminary review was based on the review of the federal public procurement framework in Ethiopia and interviews focusing on Pillar I "Legal, Regulatory and Policy Framework;" Pillar II "Institutional Framework and Management Capacity;" and Pillar IV "Accountability, Integrity and Transparency of the Public Procurement System." The findings on Pillar I especially are based on review of the "law in the books" and at that point had not benefitted from analysis of how the law is actually used. The conclusions and recommendations in this final report may have been revised to reflect all the information and the full analysis.

The assessment covered the public procurement system at the federal level and in four regional states<sup>9</sup> (Addis Ababa City Administration; Afar; Oromia; and Southern Nations, Nationalities, and People's Region

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<sup>9</sup> There were two city administrations and 10 regional states at the time this report was written. During the assessment a decision on separating the new region of Sidama from SNNPR was taken.



(SNNPR)), which were selected as being representative of geographic spread and spending levels. Within the regional states, the lower administrative levels (selected zones and *woredas*) were assessed.

Ten public bodies at the federal level and four to six public bodies in each selected region plus eight *woredas*, which have a centralized procurement system, were assessed. The assessment was conducted through interviews, review of documents, a survey, and workshops. To assess the performance of the systems, the review included 82 bidding processes at the federal level, resulting in 189 contracts with 590 invoices, and 219 bidding processes in the regional states, resulting in 342 contracts with 735 invoices<sup>10</sup>. The samples were based on the volume and type of procurement but were adjusted slightly because some documents were unavailable. Opinions from the private sector were sought in a workshop and a survey.<sup>11</sup> Finally, the findings and recommendations were presented and discussed during two workshops with stakeholders of the public procurement system. The review covered 2016 to 2019.

Procurement starts with need identification and then moves to planning, budget consideration, selection process, contract award, contract management, and contract completion. All these aspects were assessed and are covered in the report.

The main report provides the consolidated text of the assessment for the public procurement systems at the federal level and in the regional states with an indication of any differences found. The indicator matrices (Volume II) are written separately for each system at the federal level and in each regional state. The structure of the country administration is federal, with the power to legislate on matters falling under regional state jurisdiction, which include procurement, given to the state councils in the 1995 Constitution of the Federal Democratic Republic of Ethiopia. The review found similarities in the procurement systems in the regional states and at the federal level in terms of legislation and market operation, the latter largely concentrated in Addis Ababa, which informed the structure of the report, as explained above.

Other relevant information regarding the assessment such as the Concept Note, list of documents reviewed and consulted stakeholders, minutes of two validation workshops, progress since CPAR 2010, recent PEFA assessment, stakeholders' analysis, letter of request from the Government of Ethiopia,

<sup>10</sup> Breakdown of the reviewed processes and transactions selected from 3 years preceding the assessment:

	No. of bid processes	No of contracts	No of invoices
Federal Government	82	189	590
Addis Ababa City Administration	28	42	173
Afar	76	80	167
Oromia	74	122	225
SNNPR	41	98	170

<sup>11</sup> The report contains the private sector survey reports for each assessed region and city administration and at the federal level, as well as aggregated together. The private sector market is mostly centralized in Addis Ababa; of 145 firms that participated, 125 indicated where they are located (94 in Addis Ababa, two in Oromia, two in SNNPR), although they operate in the entire country. Of 140 firms that indicated where they operate, 112 indicated the federal level, 80 Addis Ababa City Administration, 20 Afar, 51 Oromia, and 40 SNNPR. Given this market structure, some responses may be similar in all regional states because they may be responses from the same companies. Respondents' experiences in another region or at the federal level may have affected their responses about a specific region.

Annex 13.1 in Volume III provides a comparative, detailed analysis of the survey results related to the tested indicators and all survey reports.



Steering Committee, Assessment Team, and private sector surveys are provided in Annexes in the Volume III of the Report.

The twin emergencies (COVID 19 and the locust plague) that arose during the MAPS assessment provided an opportunity to assess the ability of the procurement system to respond in critical emergency situations and to identify areas for improvement. Those findings and recommendations are also included in the Assessment Report (Volume III).



## 2. Analysis of Country Context

### 2.1 Ethiopia's Political, Economic, and Geostrategic Situation

#### Political context

Ethiopia is a large, diverse country with a land mass of more than 1 million square kilometers and an estimated population of more than 100 million, more than 80 percent of whom live in rural areas. With annual population growth of 2.5 percent (2015), it is estimated that Ethiopia's population will reach 150 million by 2035. Ethiopia is a country of 98 nationalities and peoples, with roughly 93 languages spoken. The ruling party<sup>12</sup> has been in power since overthrowing the former military regime in 1991. The party set up a federal structure (primarily along ethnic lines) devolving powers and mandates first to regional states and then to the *woreda* (district) and *kebele* (village) levels. Ethiopia's federal arrangement consists of 10 regional states (Afar, Amhara, Benishangul-Gumuz, Gambella, Harari, Oromia, Sidama, SNNPR, Somali, and Tigray) and two city administrations (Addis Ababa and Dire Dawa). The Constitution entitles each ethnic group to a vote to form a new state; the Sidama ethnic group in the SNNPR conducted a referendum on November 20, 2019 (while the MAPS assessment was ongoing) and established the Sidama National Regional State. Key information about the regions and city administration is provided in table 1.

**Table 1: Selected Indicators for Regional States and City Administrations**

Regional state or city administration	Estimated area (square kilometers)	Population size (million)	Budget in fiscal year 2018 (billion Ethiopian birr)
Oromia	363,100	37.3	55.4
Amhara	170,000	21.8	37.6
SNNPR	100,300	15.8	33.6
Somali	281,900	6.1	15.3
Tigray	53,600	5.4	12.8
Afar	72,000	1.9	4.7
Benishangul-Gumuz	50,300	1.1	3.7
Gambella	29,700	0.5	2.3
Harari	334	0.3	1.9
Sidama	12,000	4.3	- <sup>a</sup>
Addis Ababa	527	3.6	40.4
Dire Dawa	1,200	0.5	2.7

a. In fiscal year 2018, Sidama's budget was included in the Southern Nations, Nationalities, and Peoples Region's (SNNPR) budget.

Administrative decentralization has taken place across the country, with the architecture of the state now reaching the remotest areas. Each region has its own elected regional government charged with

<sup>12</sup> The ruling party was a coalition of four ethnic-based parties named the Ethiopian People's Revolutionary Democratic Front that has recently been renamed the Prosperity Party through a merger of three of the four parties and other regional parties.



overseeing a structure of zones, *woredas*, and *kebeles*. The devolution took place in two phases. In 1995, most public service provisions were devolved to the subregional units. Then in 2002, substantial authority was devolved to the *woreda* administrations. The constitutional principle of subsidiarity informs the division of responsibility between different levels of government; each regional unit provides public services at its level, as well as implementing social and economic policies and law and order. The federal government maintains all powers that were not delegated to the regional level, as well as shared responsibilities.

Decentralization of public sector governance in Ethiopia has been extensive, and regional governments have the discretion to prioritize where to spend their funding allocations. Public expenditure in the regional states is based on federal transfers combined with local revenue collection. Revenue assignments between the federal and regional governments in Ethiopia's federal structure are stipulated in Ethiopia's Constitution. The largest sources of revenue, including customs taxes and duties, domestic indirect taxes, and business profit taxes on medium and large-scale businesses, are assigned to the federal government, whereas regional governments can collect taxes and fees from employment income, agriculture and land use, and profits of small businesses. The Constitution also stipulates revenue-sharing mechanisms for some of the revenue sources between the federal and regional governments. Because the federal government controls most revenue sources, the regional governments largely rely on transfers from the federal government to carry out their expenditure assignments. The extent to which own revenue collection contributes to total budget varies significantly across the country. Only Addis Ababa City Administration covers its entire budgetary expenditures from its own revenue collection while the other regions depend to varying extent on fiscal transfers from the federal government.

Under Ethiopia's federal system, allocation of transfers by the federal government to regional governments is a constitutional commitment. Accordingly, the federal government has been transferring resources to regional governments since 1995 based on annually approved allocations. The transfers are provided to regional governments as block grants, indicating that the regional states have discretion on sectoral allocation of the resources. A block grant allocation formula governs distribution of the grants among the regional states. The House of Federation leads the process for development of the formula, but the House of Peoples Representatives (HPR) must ultimately approve it. Once the formula is approved, it remains in effect for approximately 5 fiscal years before being revised. In addition to the federal block grant, which has been in place since the beginning of the decentralization process in the early 1990s, the federal government introduced a new fiscal transfer instrument for regional governments called Support to the Millennium Development Goals in fiscal year (FY)2012. Millennium Development Goal (MDG) and Sustainable Development Goal (SDG) transfers are used only for capital projects implemented in the five pro-poor sectors (agriculture and rural development, water, rural roads, education, health). The resources transferred through this channel are managed at the regional level, with the appropriate regional bureaus responsible for implementing the projects and investments, although *woredas* also play a crucial role (especially in monitoring and evaluation). The MDG and SDG transfers are performance-based grants whereby disbursements are made after reviewing the progress of new projects and investments. Allocation of the MDG and SDG transfers among the regional states is largely based on the formula used to allocate the federal block grant.

Over the past year and half, Ethiopia has been experiencing unprecedented political and economic change. A new Prime Minister came to power in April 2018, during one of Ethiopia's worst political and social crises in decades, which had forced the government to declare a state of emergency twice in 3 years. Since his appointment, the Prime Minister has signed a peace agreement with Eritrea and reopened the border after 2 decades of conflict. The new administration has opened new political space for dialogue, released political prisoners, lifted bans on political parties and media outlets, actively engaged in regional



diplomacy, and begun to implement a range of economic reforms designed to revitalize the Ethiopian economy by expanding the role of the private sector. Given Ethiopia's size and location, this shift has transformed the economic and political landscape in the Horn of Africa and the entire continent.

Over the last 9 months, the federal government has been engaged in internal conflict with the Tigrayan People's Liberation Front, which, before the conflict, was administering the Tigray region. The continued internal conflict greatly disrupted human lives, severely damaged many properties, and displaced thousands of people from the Tigray, Amhara, and Afar regional states. No political solution is yet forthcoming.

## **Economic context**

Ethiopia is a large, diverse, landlocked country in the conflict-affected Horn of Africa. It is one of the poorest countries in the world according to per capita income and home to Sub-Saharan Africa's second largest population (more than 100 million people), the vast majority of whom are rural dwellers. The natural resource base is the foundation for most livelihoods and is subject to considerable climate risk. Despite significant progress in recent years, a historic legacy of underinvestment has made its mark, with more than half of the adult population illiterate and the country's infrastructure deficit one of the largest in the world. Ethiopia is undergoing a faster demographic transition than the rest of Africa, and the rapidly rising working-age population presents opportunities as well as challenges, with approximately 2 million individuals joining the labor market each year.

Although agriculture dominates Ethiopia's economic structure, there has been a shift from agriculture to services and industry over the past 15 years, with the share of agriculture in GDP declining from 55 percent in 2003/04 to 35 percent in 2017/18, whereas the share of industry more than doubled, from 13 percent to 27 percent, and the share of services increased from 33 percent to 39 percent. However, Ethiopia did not witness the movement of the workforce from agriculture to manufacturing and services consistent with experience in development economics. Traditionally, poor countries undergo a process of structural change, with labor reallocating from traditional, low-productivity sectors of the economy to modern, higher-productivity sectors to achieve high levels of aggregate productivity.

In the past 15 years, Ethiopia achieved strong economic growth driven by large-scale public infrastructure investment. According to official data, GDP growth averaged 10.4 percent from 2004 to 2018, making Ethiopia one of the world's fastest-growing economies. This has resulted in a dramatic increase in gross national income per capita, from USD140 in 2004 to USD890 in 2020.<sup>13</sup> The poverty rate declined from 38.7 percent in 2005 to 23.5 percent in 2016 (Poverty and Economic Growth in Ethiopia (1995/96 – 2015/16), December 2018). Large-scale public investment in infrastructure, supporting strong growth in agriculture and services, drove robust growth. As a result, during this period, the share of the population with access to electricity tripled, the share with access to water doubled, and the length of all-weather roads almost quadrupled. Non-monetary dimensions of well-being greatly improved, and with two exceptions, Ethiopia attained the MDGs.

Despite rapid economic growth, economic transformation has been lackluster, with SOEs continuing to play a dominant role in the economy. SOE investment has been an important part of public investment and has reached up to 10 percent of GDP. State-owned banks account for about two-thirds of banking system deposits, and SOEs' share of credit from the banking system is as high as 20 percent of GDP. This SOE dominance has left little space for the private sector by crowding out credit markets and access to foreign exchange. As a result, the private sector in Ethiopia has remained small. This is visible when

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<sup>13</sup> GNI per capita in current USD, according to the Atlas Method. World Development Indicators.



measured in terms of private sector credit to GDP, where Ethiopia lags its peers. Private sector credit is only about 13 percent of GDP in Ethiopia, compared with more than 20 percent in Sub-Saharan Africa. Moreover, barriers to starting a business (lack of access to reliable energy, inefficient trade logistics, exporting based on a more neutral exchange rate) limit firm competitiveness in Ethiopia.

Despite achieving fast growth and poverty reduction, the limitations of the state-led development model have become evident, as external competitiveness has eroded and imbalances have increased. Notwithstanding substantial investments in infrastructure to support future growth, Ethiopia's recent economic success has occurred in a context of modest structural economic transformation and still-incipient domestic private sector development. The shortcomings of the growth model have become apparent in recent years. Merchandise exports, dominated by coffee and oil seeds, dropped from 8.6 percent of GDP in FY2011 to 3.4 percent in FY2018 because of falling commodity prices and an overvalued currency. Poor export performance coupled with an ambitious public infrastructure investment agenda has placed the economy at high risk of debt distress. In addition, SOEs have increasingly crowded out the private sector, with the share of SOE credit in total outstanding domestic credit surging from 14 percent in 2007 to 54 percent in 2018. Finally, inflation is hitting double digits, and entrepreneurs are reporting persistent foreign exchange shortages, with businesses needing to wait more than 1 year to obtain foreign currency. On the human capital side, significant progress notwithstanding, maternal and child mortality remain high, as does the rate of stunting. Despite progress in access to education, only 57 percent of children starting first grade will complete ninth grade, and learning outcomes need improvement. In addition, Ethiopia hosts close to 1 million refugees, primarily from neighboring countries, and the number of internally displaced persons (IDPs) has reached an estimated 2.2 million.

Recognizing the shortcomings of the previous development model, the government has initiated implementation of a comprehensive structural reform program. Building on the objectives of GTP II, Ethiopian authorities unveiled a homegrown reform agenda in September 2019 that complements the already-initiated structural reforms aimed at fostering private sector development by de-monopolizing economic sectors and introducing competition, with complementary measures focused on addressing macroeconomic imbalances and reducing distortions. The government's objective is to sustain the growth momentum of the past decade to create jobs for its young and growing population.

Despite the government's initiation of reform efforts, a persistent foreign exchange shortage remains a significant impediment for businesses. As foreign exchange inflows from exports and foreign direct investment (FDI) slow and overvaluation of the currency in real terms worsens as a result of a widening inflation differential with trading partners, the system of foreign exchange rationing has been continued, with priority access given to SOEs and items the government considers essential (e.g., fuel, pharmaceuticals). Because of this rationing system, businesses have reportedly had to wait longer than 1 year to access foreign exchange from commercial banks for import and other foreign payments, making the supply of raw materials and capital goods highly unpredictable.

Ethiopia is highly exposed to climate risks, primarily drought. Ethiopia's ability to manage drought has improved dramatically over the past decade, but frequent droughts remain a challenge. Past droughts resulted in widespread hunger and extremely poor nutritional outcomes. Ethiopia has experienced more than 15 drought events in the last 50 years, including the 2015/16 El Niño drought and the Indian Dipole event in 2017. Most agriculture is rain fed and highly vulnerable to drought. Pastoral communities in the fragile, semiarid lowlands are also prone to climate shocks. Over the past decade, the government has built resilience by rehabilitating land, improving watershed development and management, and expanding irrigation coverage, including introducing new irrigation techniques in many parts of the country. Ethiopia increased the resilience of the poorest through cash or food payments and by engaging them in community-driven public works programs aimed at landscape restoration, water management,



and smallholder farming, aided by the donor-supported Productive Safety Nets Program, which has been operational since 2004.

Gender inequality is high in Ethiopia, and women are more vulnerable to risks because of cultural norms and their socioeconomic status. Gender gaps in secondary school enrollment and learning outcomes suggest that traditional girls' roles in performing domestic chores are often more valued than education. Only 53 percent of girls who should have been in the last grade of primary school were in that grade in 2015. Although recent decades have seen improvement, approximately one-third of Ethiopian girls marry before age 18, which is one of the main reasons cited for school dropout. The maternal mortality ratio remains alarmingly high at 420 per 100,000. Gender productivity gaps in agriculture are among the highest in Sub-Saharan Africa; productivity for female farm managers is 23 percent lower than that of their male counterparts, in part because they have less access to land, extension services, credit, and inputs such as fertilizer. Differences in access to cooperative leadership and participation is another contributor to the gender gap. Half of the farmers in Ethiopia are women, but only about 20 percent hold cooperative memberships. Similarly, there are gaps at almost all stages of the agribusiness value chains (post-harvest, processing and storage, transportation, marketing, and sales). In urban areas, women have lower rates of employment, often facing discrimination for certain types of jobs deemed not suitable for women. Women who do work are more likely to be employed in less-skilled, informal, low-paying jobs, often working for family members. Ethiopia has higher rates of gender-based violence than the Sub-Saharan African average and high rates of female genital mutilation (FGM).

The COVID-19 pandemic is expected to have significant economic impacts on Ethiopia. To help contain the spread of the virus, the government declared a state of emergency on April 8, 2020, introducing a nationwide ban on gatherings of more than four people; making the wearing of masks compulsory in public; and regulating the operation of transportation services, hotels, and restaurants under reduced capacity, among other measures. The severity of containment measures coupled with disruptions to air travel and the collapse in international demand, including for goods exported by Ethiopia such as cut flowers and garments, have taken a toll on the economy. There are an estimated 1.8 million jobs at risk, and the income and livelihoods of several million informal workers, self-employed individuals, and farmers are expected to decline dramatically. To mitigate impacts on people and firms, authorities have announced several economic measures, tax and social security payment deferrals, liquidity injections and extensions of forbearance rules in the financial sector, and expansion of safety nets.

Ethiopia conducted a sixth round of elections on June 21, 2021, after they were postponed twice because of the COVID 19 pandemic and logistical challenges, according to the National Electoral Board of Ethiopia. The board announced the election results, declaring that the incumbent, the Prosperity Party, won the election and formed the new government in September 2021. Over the last year, the federal government has been engaged in internal conflict with the Tigrayan People's Liberation Front, which, before the conflict, was administering the Tigray region. The internal conflict has damaged many human lives and properties and displaced thousands of people from the Afar, Amhara, and Tigray and regional states. The political uncertainty and the pandemic are likely to divert focus and resources from progress in procurement system reform and disturb its regular performance, although the pandemic has accelerated learning and innovation.

## **Geostrategic context**

Landlocked Ethiopia, surrounded by a number of fragile, conflict-afflicted states, plays an important role in promoting regional integration and mitigating regional conflicts. The fragility and conflict in neighboring countries and the resulting flow of refugees fleeing those conditions complicate Ethiopia's geopolitical



landscape. Relations with Djibouti are especially close, with Ethiopia relying on Djibouti for 90 percent of its land-based trade and Djibouti receiving power and fresh water from Ethiopia. To increase regional stability, Ethiopia has supported peace-building efforts in Somalia, Sudan, and South Sudan by mediating peace talks and contributing personnel to peace-keeping operations.

Ethiopia is a member of regional communities such as the Common Market for Eastern and Southern Africa (COMESA), the Intergovernmental Authority on Development (IGAD), and the Sana'a Forum for Cooperation (SFC). According to the regional Integration Index 2016, Ethiopia is an average performer in regional integration among Intergovernmental Authority on Development countries and the lowest performer overall in regional integration within COMESA. In terms of trade relations with its neighbors, exports to regional markets (Somalia, Djibouti, Sudan, Kenya, Egypt) account for approximately 20 percent of Ethiopia's total exports. Major exports to Somalia included *khat*, live animals, and fruits and vegetables, and key exports to Djibouti were *khat*, live animals, fruits and vegetables, and electricity. Beyond official statistics, there is significant cross-border trade that is not measured but is an important source of income for communities near the border.

## 2.2 Public Procurement System and Its Links with the PFM and Public Governance Systems

Public procurement reform has been designed and is under implementation as an integral part of overall PFM reform at the federal and regional levels. At the federal level, reforming the procurement and property administration function is one of the nine goals identified in the PFM Reform Strategy (2018-22). Based on the federal strategy document, each regional state developed a PFM strategy. This has allowed procurement reform to share the same leadership, resources, and monitoring framework as part of the overall government PFM function.

Public procurement accounts for the largest share of government expenditure. Government spending has increased more than 10-fold in the last 12 to 13 years, reaching USD12.4 billion<sup>14</sup> in FY2019/20. Although there are no readily available and reliable statistics, it is estimated that the public procurement market in Ethiopia accounts for more than 60 percent (PEFA Ethiopia 2019) of government expenditures. Modest savings as a result of improvement in the public procurement system could lead to significant savings in the government budget, which is normally constrained by a shortage of resources.

The MoF, in collaboration with development partners, conducted the 2019 PEFA assessment, which was designed to assist the government in identifying PFM weaknesses that may inhibit effective delivery of services to its citizens and realization of its development objectives in general. The 2019 PEFA assessment at the federal level found deterioration in performance in seven indicators and improvement in three indicators from the preceding assessment conducted in 2015. Performance in public procurement was one indicator that deteriorated. The MAPS assessment provides more in-depth analysis of the gaps for a comprehensive view of the PFM and procurement systems in the country.

### Governance and procurement

Promoting good governance is an important way to achieve the GTP II strategic pillars. The program plans to combat corruption and rent seeking by increasing the capacity of the civil service and citizen engagement at all levels of government. It also aims for effective implementation of reforms of government finance and public procurement and building the capacity of relevant public institutions.

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<sup>14</sup> 1 USD= 32 Ethiopian Birr



In this regard, the new administration in Ethiopia has implemented several measures to improve performance in public service delivery by building a modern, transparent system. The federal government issued Civil Servants Proclamation No. 1064/2017 to enhance, inter alia, merit-based, professional competence in selection and promotion of civil servants, including procurement staff. The focus on professional competence creates an opportunity to enhance professionalism in the public procurement function in Ethiopia. Regarding human rights and freedom of association, the federal government enacted Civil Society Organizations Proclamation No. 1113/2019, which repealed the repressive 2009 Charities and Civil Societies Proclamation. The new proclamation, recognizing the instrumental role of freedom of association for the full exercise of other rights, gives the right to engage in any lawful activity to accomplish objectives. Thus, the new proclamation is expected to create the missing role of civil society organizations (CSOs) in public procurement in Ethiopia.

At the local level, the government implemented various initiatives to improve governance on use of public resources. The major initiatives that improve public procurement performance are on financial transparency and accountability and social accountability. Financial transparency and accountability initiatives were introduced in 2006 with the aim of creating budget transparency at the local administration and service facility level. Through different phases, the initiatives established a platform for citizens to be involved in budget allocation and monitoring of performance in all *woredas* in Ethiopia. In 2015, inter alia, a procurement template for disclosing procurement information to the public was developed, including information on implementation of projects related to delivery of basic services. In the last 2 years, the government has attempted to expand financial transparency and accountability practices at the regional and federal levels.

The government is implementing the third phase of the Ethiopian Social Accountability Program (ESAP III) in collaboration with the World Bank and development partners. The goal of the program is to increase community participation in the local administration and in the decision-making process and enhance the quality of basic services provision at the local level. Under the third phase, the program was targeted at 500 *woredas* across the country.<sup>15</sup> The program involves CSOs that work with the community and local government, which enhances community participation in need identification, budget allocation, and monitoring of basic service provision in five key sectors: health; education; water, sanitation, and hygiene; agriculture; and rural roads. This has allowed direct community participation in public procurement activities, including procurement planning, until monitoring of contract performance while improving governance on basic service delivery at the local level.

## Analysis of Stakeholders

Stakeholder analyses explore the roles of stakeholders in a system, formal and informal links between them, and their influence so that they can be better managed and engaged during a project or change process. Stakeholder analysis is not purely normative and may involve perceptions of stakeholders regarding their level of influence and engagement regardless of what their mandates say. Some of the key stakeholders in procurement reform at the federal and regional levels are described below, and the details of the stakeholder analysis for this assessment are included in Annex 8 in Volume III.

- **Ministry of Finance:** The MoF provides overall guidance and leadership in managing activities to strengthen the procurement system. It is considered to be the custodian of the procurement policy under which the secondary procurement document (procurement directive) is issued, supervises the activities of the PPPAA, establishes the Complaint Review Board (CRB), and provides overall leadership

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<sup>15</sup> Per The World Bank's Country Partnership Framework (2018-2022)



in all reforms associated with PFM, including procurement. The ministry will play a key role in reviewing and approving the action plan generated from the MAPS assessment and in allocating the resources and leadership necessary for its implementation.

- **Public Procurement and Property Administration Agency:** The PPPAA leads on regulatory function and capacity-building activities in public procurement at the federal level and provides technical support to regional states. It plays a key role in designing and implementing procurement reforms, including issuance of working documents (standard bidding documents (SBDs), templates, tools), and provides training. The PPPAA will play a key role in preparing and implementing the action plan generated from the MAPS assessment in collaboration with other stakeholders.
- **Bureau of Finance:** The BoF is the custodian of the public procurement system in the regional states. It provides guidance and overall leadership in the management of procurement reform activities and leads the operational aspects of procurement monitoring and auditing, system-strengthening activities, and appeal management. The BoFs will play a key role in preparing, reviewing, and approving the action plan generated from the MAPS assessment in the respective regional states, including allocation of the necessary resources and providing leadership for its implementation in collaboration with the federal government and other stakeholders.
- **The regional Public Procurement and Property Administration Agency** in SNNPR leads in regulatory function and capacity-building activities in public procurement in SNNPR and plays a key role in designing and implementing capacity-building activities in public procurement, including issuing working documents (e.g., SBDs, templates, tools) and providing training. The PPPAA will play a key role in preparing and implementing the action plan generated from the MAPS assessment in collaboration with the BoF, the federal government (PPPAA and MoF), and other stakeholders.
- **Development Partners:** Development partners have provided technical and financial support in all major procurement reform activities conducted in recent years, including for this MAPS assessment. Through the joint procurement working group that has drawn members from the government, development partners, and the private sector, the development partners regularly engage on procurement policy matters and reforms and are expected to continue to provide support for preparation and implementation of the action plan generated from the MAPS assessment.

Table 2 lists the main stakeholders and their relative level of influence in the procurement reforms at the federal and regional levels.



**Table 2. Main Stakeholders According to Influence in Procurement Reforms**

Level	High Influence	Medium Influence	Low influence
Federal	House of People's Representatives, Council of Ministers, MoF, Federal PPPAA	PPPAA technical staff, procuring entities, Civil Service Commission, National Planning and Development Commission, Office of the Federal Auditor General, Training Institutes Joint Procurement Working Group, development partners	Media, Public Financial Management Sector Working Group, Chamber of Commerce and sectoral associations, contractors' association, architects' association, foreign bidders and contractors' suppliers, civil society organizations, regional states, regional procurement regulatory bodies
Regional	Bureau of Finance technical staff; PPPAA in Southern Nations, and Nationalities, and People's Region; federal PPPAA, MoF	Regional Council, development partners, procuring entities in sector offices, <i>woreda</i> and zone finance offices, Office of the Regional Auditors General, procurement staff in procuring entities, regional Attorney General	Regional Ethics and Anti-Corruption Commission, regional chambers of commerce and sectoral associations, media, Civil Service Commission, training institutes, colleges and universities with procurement programs

MoF, Ministry of Finance; PPPAA, Public Procurement and Property Administration Agency

## 2.3 National Policy Objectives and SDGs

The government's economic program is defined in the 2016-2020 GTP II, which aims to enable Ethiopia to achieve lower-middle-income status by 2025. The strategy advances reform efforts launched under GTP I, which focused on boosting agricultural productivity and accelerating growth through large-scale public investment in infrastructure. GTP II emphasizes the need to maintain the high economic growth rates achieved under GTP I, but it shifts focus to expanding the role of the private sector. The strategy also calls for increasing domestic revenue mobilization through tax reform, exploring alternative mechanisms for financing infrastructure, and strengthening economic governance. GTP II is designed around four development objectives: achieve average annual real GDP growth of 11 percent in a context of macroeconomic stability, boost the competitiveness of the domestic economy and facilitate structural transformation, promote organized public participation in development policy and enhance public ownership of development outcomes, and ensure stable democratic processes.

GTP II encompasses nine strategic pillars:

1. sustain the rapid, broad-based, equitable economic growth and development observed during the past decade
2. increase the economy's productive capacity, competitiveness, and efficiency, with a focus on the agriculture and manufacturing sectors
3. accelerate the structural transformation of the domestic private sector
4. build the capacity of the construction industry to bridge critical infrastructure gaps and enhance infrastructure quality



5. properly manage the ongoing process of rapid urbanization and leverage its potential to promote economic growth and structural transformation
6. sustainably build human capital and technological capacity
7. strengthen democratic processes and promote good governance by enhancing the capacity of the public sector and mobilizing public participation
8. empower women and youth to participate in the development process and equitably benefit from it
9. enhance climate resilience and facilitate growth of the green economy.

Ethiopia has been pursuing pro-poor policies and implementing development plans and programs within global development frameworks, such as the MDGs, the Brussels Program of Action, and its successor the Istanbul Program of Action for Least Developed Countries. There have been considerable achievements in economic growth, social development, and environmental management, which have helped amass replicable development experiences over the last decade and half. Informed by these experiences and having recognized future opportunities, the HPR has endorsed the 2030 Agenda for Sustainable Development with full national ownership. The 2030 agenda and its SDGs are an integral part of the national development framework: GTP II. Accordingly, the SDGs are being implemented in Ethiopia.

Improving the governance of the PFM system, including the public procurement system, is important for achieving the GTP II strategic pillar of promoting good governance. Effective implementation of reforms of government finance and public procurement and building the capacity of relevant public institutions, including the regulatory agency for public procurement and property administration, were identified as objectives to be pursued. In addition, GTP II envisages revision of existing proclamations, directives, and manuals pertaining to government finance, public procurement, and property administration to make them more effective tools in combatting rent-seeking and corruption.

The federal and regional governments continued to provide special support for micro and small enterprises (MSEs) to facilitate access to the public procurement market. One of the strategic directions of the government, as expressed in GTP II, is to provide comprehensive support to expand the quantity and quality of MSEs. In this regard, the public procurement system provides different kinds of support to MSEs, including access to the public procurement market through price preference margins and other supports. The regional governments provide extended support, including set-asides and mandatory subcontracting, although the practice is not consistent across the regional states. Although the economic impact of various types of procurement-related support has not been empirically studied, it appears that there is growing interest in increasing support to MSEs as a source of job creation for the rapidly expanding youth population.

Increasing the efficiency and improving the governance of SOEs is one of the key focus areas of the new administration in Ethiopia; the government's intervention in the economy has been significant in recent years. As part of the strategy, the government has established and run various commercial organizations and institutions engaged in providing goods and services. At the federal level, there are SOEs that are accountable to the Public Enterprises Holding Agency as a regulatory body and those that report to the appropriate sectoral ministry. The homegrown economic reform initiative is designed to increase the operational efficiency, transparency, and governance of SOEs in which procurement takes center stage. On the other hand, SOEs provide goods and services that compete against the private sector in the public procurement market. Therefore, ensuring fair access to the public procurement market must be the key consideration of the system and performance in public procurement.



The national planning commission developed a 10-year development plan (2020/21–2029/30) with the vision of becoming an African beacon of prosperity. This plan will be a continuation of the earlier GTP I and II and is currently in the draft stage.

Preparation of the plan considered current and future sector strategies and policies, and a few are specifically mentioned, including enhanced use of public-private partnerships (PPPs) in developing the energy sector. The plan also considers regional and international agreements and mentions the African Continental Free Trade Area and World Trade Organization accession, which Ethiopia planned to achieve in the short run. The plan also considers global trends in trade, the economy, and technology.

The plan identifies four strategic pillars: achieving quality economic development; enhancing productivity and competitiveness; enhancing systems; and building a resilient, green economy. The pillar regarding government systems defines the role of the government in the economy, addressing corruption, lack of good governance, and capacity limitations in project management. It includes plans to embed effective transparency and accountability systems into the government structure in the fight against corruption, increasing the implementation capacity of government agencies and developing the right attitude, knowledge, and skills of civil servants using an incentive structure and a conducive work environment.

Agriculture, industry, mining, tourism, innovation and technology, human development, city development, and infrastructure development have been identified as key sectors of development during the plan period. Under the infrastructure development sector, the plan is designed to enhance the efficiency and effectiveness of the construction sector and address rent-seeking behavior that has been observed in recent years. To this effect, the plan is structured to urgently establish a strict construction administration follow-up and monitoring system and to build local construction industry capacity to compete with foreign contractors.

## 2.4 Public Procurement Reform

Public procurement in Ethiopia is implemented at the federal, regional, and *woreda* (local) levels, with a mix of decentralized and centralized arrangements. In some regional states, there is also a zonal level between the regional and *woreda* levels. At the federal and regional levels, procurement is decentralized in public bodies that are mandated to conduct their own procurement activities. There are more than 1,200 public bodies (ministries at the federal level, sector offices at the regional level) that have established procurement structures and conduct their own procurement. In addition, at the federal level and in the regional states, procurement and disposal agencies were established with the responsibility for establishing framework agreements for common user items and conducting strategic procurements through a centralized procurement structure.

At the *woreda* and zonal level, the procurement function is centralized in the *woreda* or zonal finance office (called a pool structure), which is responsible for consolidating the procurement requirements of all the offices in the *woreda* or zone and conducting procurement centrally through competitive procedures. More than 1,200 *woredas* across the country have adopted the pool procurement system (structure).

The government, in collaboration with development partners, has been engaged in public procurement reform for more than 20 years and has established basic procurement systems at the various levels. The MoF, in collaboration with the World Bank, wrote the first Country Procurement Assessment Report in 2002. Based on recommendations from the report, the government issued the first specialized public procurement proclamation and established the PPPAA at the federal level in 2005.



In 2009, the federal government revised the procurement proclamation to clarify the roles and responsibilities of different players in the procurement function, introduce a framework agreement for common user items through a centralized procurement body, and establish a procurement CRB that reviews and addresses procurement complaints. In subsequent years, all regional governments and the two city administrations issued procurement proclamations and directives and supporting procurement documents, including manuals and SBDs applicable to procurement in their respective regional states and city administrations.

The PPPAA is responsible for building procurement capacity at the federal level, plays a key role in planning and management of procurement reform activities at the federal level, and provides technical support to the regional states and city administrations in building capacity at the regional and local levels. Each of the 10 regional states and the two city administrations established a similar procurement regulatory framework as a department in the BoF or as a separate agency with a dedicated management structure and budget. The regulatory bodies in the regional states and city administrations are responsible for building procurement capacity in collaboration with the PPPAA in addition to their role in regulating procurement implementation in their regional states.

In addition to the PPPAA, the PFM Reform Directorate in the MoF plays a key role in managing procurement reform as part of overall PFM system improvement in the country. The directorate is the focal unit in defining reform activities in procurement and PFM and follows up its implementation with the relevant offices, including PPPAA, for procurement-related reforms. The arrangement provided an opportunity to ensure complementarity between the PFM and procurement reforms and attracted the attention of top management in the MoF.

The Bureau of Finance and Economic Cooperation (BoFEC) is responsible for procurement monitoring and reform and system improvement at the regional level except in SNNPR and Gambella regional state. Each region established a Procurement and Property Administration Directorate to perform day-to-day regulatory functions under BoFEC. The SNNPR and Gambella regional state each established an organization with dedicated management and resources for regulatory procurement functions, including reform and system improvements, with a reporting structure linked to the highest governing body in the regional state (Regional Council).

Procurement reform at the regional level follows reform at the federal level. All major procurement reforms were initiated at the federal level in close consultation with the regional states and consideration of the regional systems and requirements. This has created opportunity to ensure consistency and minimize learning costs associated with reforms.

Procurement system harmonization is on the reform agenda for the coming years. Although the regional states are constitutionally free to adopt any public procurement system they like, there is a general understanding and commitment to ensuring consistency across the country. The major procurement documents are the same except in a few areas of the system. The PPPAA and regional procurement regulatory officials conduct a joint consultation forum semiannually and discuss public procurement issues and reforms, targeting a harmonized procurement system across the country.

Procurement reform in Ethiopia has focused on modernizing the procurement system, improving procurement performance, and increasing efficiency. The key item on the procurement modernization agenda is ongoing activity to implement an e-GP system. With support from the World Bank, the government is working toward implementing e-GP, starting from the federal level. The PPPAA is using a local firm to build the e-GP system, which is being implemented as a pilot in selected agencies.



To increase the capacity of government procurement staff and address the shortage of qualified procurement experts, the government established the Procurement Training and Certification Program, which is hosted at the Ethiopia Civil Service University and managed by the PPPAA. Approximately 1,000 government staff have received training at the basic, essential, and advanced levels.

The PPPAA introduced a procurement performance management tool using identified key performance indicators (KPIs). Implementation of the KPIs started in the four larger regional states (Amhara, Oromia, SNNPR, Tigray) and expanded to the other regional states, focusing on basic service sectors, but implementation of the procurement performance measurement tool has been inconsistent and incomplete, and the major procuring entities are yet to embrace the system. The PPPAA planned to automate the KPI system from an Excel spreadsheet format to a web-based application to enable real-time data collection and reporting.

Despite these achievements, the public procurement system faces serious challenges that have hampered its performance. Although the system has not been assessed for a decade (since the last Country Procurement System Assessment in 2010), there is consensus that its performance has not been satisfactory. The government, in its homegrown reform program, recognized that execution of major infrastructure projects has been poor, leading to financial losses and social costs to the government. The institutions, including the public procurement regulatory bodies at the federal and regional levels, lack the capacity and staff to fulfill their responsibilities. Similarly, public procurement units and procurement endorsing committee (PEC) members in public bodies lack the skills and incentive to perform procurement and achieve the desired outcome. The institutions supporting the procurement function have limited capacity, inconsistent organization, and conflicting roles. There are concerns about the consistency and integration of federal and regional procurement systems and practices in building a unitary, harmonized national procurement system. The domestic market faces systemic challenges, such as shortage of foreign currency and inflation that hamper the functioning of the market and subsequently procurement outcomes.

Since 2014, the PPPAA has been revising the existing Public Procurement Proclamation (649/2009) and has prepared a draft proclamation, but the revision and the proposed changes are not supported with analysis and objective evidence. This has led to skepticism among stakeholders that the proposed changes will address the real gaps in the legal framework with regard to international good practices and development in the sector. Thus, the government agreed to put the revision on hold until this assessment is finalized. To avoid further delay and support the decision of the government in the development and ratification process of the draft proclamation, the Bank team issued an interim report in January 2020 and provided preliminary input to the revision of the procurement proclamation. Accordingly, the PPPAA, with the MoF, revised the procurement proclamation considering all key recommendations that have come out of the assessment, although the work is still in progress.



### 3. Assessment

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This section of the report discusses the findings of the assessment in relation to each of the pillars and indicators based on the qualitative review of the system and the application of quantitative indicators as defined in the MAPS methodology. It describes the main strengths and weaknesses and identifies the areas with material or substantive gaps that require action to improve the quality and performance of the system. Substantial gaps are classified into categories according to the risk they may pose to the system, and actions are recommended to address these gaps.

This section is organized according to the four MAPS methodology pillars and the indicators under each pillar. The objective of each pillar and the main matters assessed under the pillar are explained. This is followed by subsections for each indicator under the pillars. These indicators' subsections include an explanation of the objective of the indicator and the current structure or description of the subject matter, as applicable, followed by the findings, which are divided into strengths and weaknesses. Next, key recommendations to address the weaknesses are provided. The last part for each indicator is a table that provides an overview of gaps, with risks and recommendations. For some indicators, additional recommendations may be provided and explained below the table. These additional recommendations relate to matters that are resolved in different ways in different countries and are offered to initiate discussion on important matters and that are expected to be implemented over the long term and likely to bring useful solutions in future.

If factors are identified that are likely to impede the main goals of public procurement and may prevent an appropriate action from being taken to improve the public procurement system but lie outside the sphere of public procurement, a red flag (✓) is assigned to a gap under the indicator that such an impeding factor may affect. The detailed assessment results covering each sub-indicator and each criterion are provided in Volume II of this report, which includes the indicator matrices for the federal level and the four regional states assessed. All other back-up material and documentation in support of this analysis are provided in Volume III. The assessment team has used the guidance and assessment criteria given in MAPS II.

The indicator matrices are provided for the public procurement systems at the federal level and for each assessed region (Addis Ababa City Administration, Afar, Oromia, SNNPR); given the similarity of the systems, the main report consolidates the findings and recommendations. Therefore, unless indicated otherwise, all findings, recommendations, and discussion pertain to all systems at the federal level and in the regional states.

The quantitative indicators of the MAPS methodology are designed to be aligned with the procurement data required in the PEFA assessment. The assessments of the PEFA PI-24 indicator related to procurement for the federal government, Addis Ababa City Administration, and Oromia are included in Annex 6 of Volume III.

Table 3 presents the major differences between the public procurement systems at the federal level, Addis Ababa City Administration, Afar, Oromia, and SNNPR.



**Table 3. Differences between Federal and Regional Procurement Proclamations**

<i>Issue</i>	<i>Federal government</i>	<i>Addis Ababa City Administration</i>	<i>Afar</i>	<i>Oromia</i>	<i>SNNPR</i>
<i>Scope (exclusion)</i>	<i>Procurement related to national security and national defense</i> <i>Public-to-public contracts</i>	By the decision of the Cabinet of the city government Public-to-public contracts	Public-to-public contracts	By the decision of the regional council Public-to-public contracts	Public-to-public contracts
<i>Language</i>	Except in ICB, bidding language is Amharic	Except in ICB, bidding language is Amharic	Except in ICB, bidding language is Amharic	Except in ICB, bidding language is Afaan Oromiffa	Except in ICB, bidding language is Amharic
<i>Procurement regulatory function performed by</i>	Federal PPPAA	Regional BoF	Regional BoF It has no role in approval of exceptional procedure	Regional BoF	SNNPR PPPAA
<i>Procurement complaint handled by</i>	CRB	Regional BoF	Regional BoF	Regional BoF	Regional CRB
<i>Cross debarment</i>	Foreseen	Foreseen	Not foreseen	Not foreseen	Foreseen
<i>PEC</i>	Foreseen	Not foreseen	Foreseen	Foreseen	Foreseen
<i>Delegation to PEC<sup>a</sup></i>	Moderate (NCB threshold)	Not foreseen	Very low (lower than RFQ threshold)	Very high (ICB threshold)	Moderate (NCB threshold)
<i>Third-party delegation (hiring procurement agents)</i>	Foreseen	Foreseen	Not foreseen	Foreseen	Foreseen
<i>Post qualification</i>	Foreseen	Foreseen	Not foreseen	Foreseen	Foreseen
<i>Conditions for use of restricted bidding procedure</i>	Includes procurement below specified threshold in the directive	Includes procurement below specified threshold in the directive	Does not set out threshold as condition for using the method	Includes procurement below specified threshold in the directive Different thresholds depend on level of administration Allows advertisement of procurement opportunity	Includes procurement below specified threshold in the directive
<i>Request for quotation procedure</i>	Foreseen	Foreseen	Foreseen	Foreseen but no procedures set out	Not foreseen



<i>Issue</i>	<i>Federal government</i>	<i>Addis Ababa City Administration</i>	<i>Afar</i>	<i>Oromia</i>	<i>SNNPR</i>
				Different thresholds depend on level of administration	
<i>PPP</i>	PPL foresees directive to govern PPP, but separate legislation issued	PPL foresees directive to govern PPP; directive not issued	Not foreseen	PPL foresees directive to govern PPP; directive not yet issued	PPL foresees directive to govern PPP; directive not yet issued
<i>Authority to establish centralized procurement body according to PPL</i>	Council of Ministers	City Council	BoF	Regional Council	Regional Council
<i>International agreement</i>	Recognize agreement made by federal government	Recognize agreement made by city government	Recognize agreement made by federal government	Not foreseen	Recognize agreement made by federal government
<i>Transfer of public assets</i>	Foreseen	Foreseen	Foreseen	Foreseen	Not foreseen
<i>Liability for rejection of bids</i>	No liability on procuring entities	No liability on procuring entities	No liability on procuring entities	Not foreseen	No liability on procuring entities
<i>Complaint by procuring entity against bidders</i>	Foreseen and procedure set out	Foreseen and procedure set out	Foreseen but no procedure set out	Foreseen but no procedure set out	Foreseen and procedure set out
<i>Penalty clauses</i>	Introduce offenses and penalty clauses	Refers to penalty clauses specified in federal Proclamation No. 649/2009	Introduce offenses and penalty clauses	Introduce offenses and penalty clauses	Introduce offenses and penalty clauses

Note: Shaded cells indicate major differences.

a. At the federal level and in the Southern Nations, Nationalities, and People's Region (SNNPR), the procurement endorsing committees (PECs) review and approve procurement decisions with a value of the National Competitive Bidding (NCB) threshold and above. In Oromia, procurement with a value of the International Competitive Bidding (ICB) threshold is delegated to the PEC, whereas in Afar, the BEC reviews and approves procurement decisions for all procurements with a value equal to the Request for Quotations (RFQ) threshold or greater. Thus, the PEC's engagement in procurement is moderate at the federal level and in SNNPR, very low in Oromia, and very high in Afar.

b. The Constitution (Article A 25) authorizes the federal government to enact a penal code. The regional states are allowed to enact penal law only on issues that the federal government does not cover.

BoF, Bureau of Finance; PPL, Public Procurement Law; PPP, public-private partnership.



### 3.1. Pillar I—Legal, Regulatory and Policy Framework

Pillar I assesses the existing legal, regulatory, and policy framework for public procurement; identifies the formal rules and procedures governing public procurement; and evaluates how they compare with international standards. The practical implementation and operation of this framework is the subject of pillars II and III. The indicators within pillar I embrace recent developments and innovations that have been increasingly used to make public procurement more efficient. Pillar I also considers international obligations and national policy objectives to ensure that public procurement fulfills its important strategic role and contributes to sustainability.

#### *Main findings*

In many respects, the legal framework for public procurement reflects important aspects and elements of modern procurement systems. For example, a consolidated procurement law, the Procurement and Property Administration Proclamation 649/2009, anchors the legal framework. The Procurement Directive, Procurement Manual, and SBDs (packages have been issued for goods, works, and consultancy services, as well as for specialized sectors (pharmaceuticals, textbooks, framework agreement); and for prequalification proceedings) support the proclamation. Procuring entities are equipped with a range of procurement methods, the default being open bidding (although there is no multistage method, which can be crucial for obtaining value for money in complex transactions). Bidders are provided an avenue to obtain a review of complaints about contract award procedures. A policy and oversight body for the procurement system, the PPPAA, is established.

At the same time, there are important gaps and inconsistencies that complicate implementation of the procurement process and create obstacles to achieving various fundamental objectives of public procurement, including those referred to in the proclamation (article 5). The government, which is revising the proclamation, has recognized the need for further development of the legal framework.

The MAPS II exercise has identified significant deficiencies in the legal framework for public procurement.

- Although the proclamation is a consolidated procurement law with a broad scope of application, there is considerable fragmentation of the legal framework because of a proliferation of various types of administrative issuances and because the scope of issues addressed in the proclamation and its supporting directive is incomplete. For example, the proclamation does not address e-GP and instead refers to a separate law on e-GP. At various points, the proclamation refers to production of various administrative issuances to fill gaps in or supplement provisions in the proclamation, which can lead to overlapping, inconsistent, and contradictory provisions in the legal framework.
- There is lack of clarity on interaction and inconsistencies between the dedicated procurement legislative framework and the Civil Code or Civil Procedure Code, the anticorruption law, and the Criminal Code.
- Although the scope of the legal framework is broad, in that it applies to a broad range of procurement, including of goods, projects, and services, there is considerable uncertainty as to the extent to which it applies, if at all, to SOEs acting as procuring entities. The prevailing view in government is that SOEs are not covered because they do not receive budget funds from the state, although to outsiders, that might not be clear. Each SOE has its own procurement manual, so SOE procurement practices are not necessarily harmonized, although the SOE manuals may incorporate some principles of the proclamation. Nor are any parameters or conditions placed on participation of SOEs as bidders.



- On certain important issues, the legal framework does not provide a sufficiently clear mandate to take actions necessary good procurement practices, outcomes, and accountability (e.g., procurement planning, introduction and use of e-GP, contract management, extent of transparency).
- Transparency is an overarching principle of the PPL and, as such, should be ensured with as few limitations as possible. In this respect, other than disclosure of procurement notices and contract information above a specified threshold, the current procurement framework does not mandate adequate publication and disclosure of procurement-related documents, information, and decisions. Comprehensive, up-to-date information and documents regarding the public procurement system are not publicly available. For example, not all decisions of the CRB are publicly available. In addition, CSO participation in procurement is limited; broader participation would increase the transparency and effectiveness of procurement.
- Rules and resulting practices on design and application of qualification criteria are deficient in several ways: qualification criteria are not sufficiently precise or relevant to a particular contract and discriminate by setting higher qualification requirements for foreign than for domestic bidders. Setting qualification requirements for foreign companies that only large companies with higher cost structures and prices can meet distorts competition while smaller companies, which may be able to deliver more value for money, cannot meet the high qualification requirements.

### **Indicator 1. The public procurement legal framework achieves the agreed principles and complies with applicable obligations**

This indicator covers the legal and regulatory instruments established at varying levels, from the highest (e.g., national law, act, regulation, decree) to the lowest (e.g., regulations, procedures, and bidding documents formally in use).

#### ***Background on current legislative structure***

- The 1995 Constitution of the Federal Democratic Republic of Ethiopia is the supreme law. Any law, including state law, or any customary practice or decision of an organ of state or a public official that contravenes the Constitution shall have no effect. The highest legislative authority is vested in the HPR, decrees of which become proclamations (primary legislation) once adopted. Secondary legislation includes regulations that the Council of Ministers of the federal government issues and directives from federal ministries. Public bodies also issue circulars, letters, and similar advisory documents.
- According to Article 9(4) of the Constitution of Ethiopia 1994, all international agreements that Ethiopia ratifies are an integral part of the law of the land. International agreements and treaties are adopted and ratified as proclamations. Ethiopia is a signatory to the Agreement Establishing the African Continental Free Trade Area (AfCFTA). AfCFTA member states are working on harmonization of public procurement policies. Ethiopia signed the United Nations Convention against Corruption (UNCAC) on December 10, 2003 and ratified through Proclamation No. 544/2007 on November 26, 2007. The African Union Convention on Preventing and Combating Corruption is another international agreement with impact on procurement.
- Ethiopia is also a member state of the African Union, whose headquarters Ethiopia hosts in Addis Ababa. As a member, Ethiopia can benefit from the African Union's work, for example, the New Partnership for Africa's Development, which is the implementing arm for the union's Agenda 2063 development strategy. The New Partnership for Africa's Development's structure includes several



committees, complemented by various panels such as procurement and recruitment, as well as directorate- and division-level quality assurance task teams.

- On December 3, 2020, the European Union and the Organization of African, Caribbean and Pacific States reached a new agreement that succeeds the Cotonou Partnership Agreement. Marking the end of the negotiations, the post-Cotonou agreement was initialed on April 15, 2021. The new partnership agreement will serve as the new legal framework for EU relations with 79 African, Caribbean, and Pacific countries. The goal of the post- and Cotonou Agreement is to reduce and eventually eradicate poverty and gradually integrate African, Caribbean, and Pacific countries into the world economy. It is based on three pillars: development cooperation, economic and trade cooperation, and political dimension.
- The key primary legislation on federal public procurement is Ethiopian Federal Government Procurement and Property Administration Proclamation No. 649/2009, which was enacted on September 9, 2009. The comprehensive Public Procurement Directive (PPD) of June 2010, revised in December 2015 and December 2016, supports the proclamation. Public procurement proclamations have also been adopted in the regional states.
- The federal PPL confirms that, to the extent that the PPL conflicts with an obligation of the federal government under or arising out of an agreement with one or more regional states or with international organizations, the provisions of that agreement shall prevail.
- The federal PPPAA publishes manuals, including the Public Procurement Manual (December 2011), Manual on Public Procurement Complaint Procedure (April 2011), and Manual on the Use of Framework Agreements (May 2011). It also publishes circulars, frequently asked questions, SBDs, and the e-GP strategy on its website. Similarly, the documents of the secondary legislation and guidance are published in the regional states, although the Model Pool Directive that the MoF issued has not been adopted, and the Assessment Team was not provided access to it in the regional states except in Addis Ababa.
- A separate PPP proclamation issued in 2018 regulates the award of PPP contracts for a wide range of infrastructure facilities and assets. It requires, in general, that a competitive procedure be conducted to award a PPP contract. Other procurement processes are also permitted.<sup>16</sup>

## **Findings**

### **Strengths**

- The legal and regulatory framework is adequately recorded and is organized hierarchically, with precedence clearly established.
- The PPL encompasses basic procurement principles of transparency, efficiency, fairness, and impartiality. Public procurement and property administration must also comply with principles including nondiscrimination on any grounds not related to the qualifications of the bidders and candidates, accountability for decisions, and ensuring value for money in the use of public funds for procurement.
- The legal and regulatory framework covers procurement of goods, works, and services, including consulting services, using public funds.

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<sup>16</sup> This review does not include findings related to the PPP Proclamation.



- The PPL lists exemptions, including defense and security-related procurement contracts that a public body enters into with another public body for provision of goods, works, and consultancy or other services at cost. Proclamation 1100/2019 on the Defense Forces of the Federal Republic of Ethiopia provides that the Council of Defense Commanders may make recommendations concerning strategic defense procurement requirements.
- The PPL provides a range of procurement methods from more to less competitive. The procurement methods and processes are proportional to the value and risks of the underlying project activities. The range of options provides, in theory, for a procurement system in which value for money, fairness, transparency, proportionality, and integrity can be achieved. Contracts shall be awarded through open bidding, unless otherwise provided for in the PPL. The PPL defines situations in which alternative procurement methods can be used, with grounds for justification clearly specified.
- Direct award (single-source procurement) is permitted only when specified grounds for justification are satisfied. Dividing contracts to avoid open competition is prohibited when the goal is to circumvent competitive rules.
- The legal framework requires that procurement opportunities be publicly advertised in at least one national newspaper and, for contracts over specified thresholds, on the agency website. When necessary, a public body may also advertise open bidding on national radio and television, and the advertisement may be posted on the website of the procuring public body. The PPL sets out circumstances under which advertisement is not necessary.
- Publication of opportunities provides sufficient time, consistent with the method, nature, and complexity of the procurement, for potential bidders to obtain documents and respond to the advertisement.
- Public bodies are required to design the timetables for the procurement process, taking into consideration matters including the nature of the market, time required for preparation of bid documents, and compliance with minimum floating bid periods. Public bodies should allow, as far as possible, additional time for bidders to prepare bid documents to create an environment conducive to competition.
- The legal framework requires that candidates satisfy qualification requirements set out in the bidding documents. A non-exhaustive list of qualification criteria is set out in the PPL. The principles of nondiscrimination, transparency, and fairness are stated in the PPL as underlying requirements.
- The legal framework establishes the minimum content of the procurement documents and requires that they contain sufficient and relevant information to permit suppliers to respond to the requirement. It also requires use of neutral specifications, cites international norms, and provides for use of functional (performance) specifications as far as possible.
- The legal framework requires that the evaluation of bids and applications be objective and relevant. There are clear provisions requiring that criteria, methodologies, and weightings, where used, be disclosed in advance in bidding documents. The award decision must be made based only on pre-disclosed criteria.
- Price and non-price attributes are permitted and value for money is a consideration in the award of contracts.
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- Quality is a major consideration in evaluating requests for proposals for consulting services, and clear procedures and methodologies are defined.
- The legal framework requires that information on examination, clarification, and evaluation of bids not be disclosed to participants during the evaluation period.
- The legal framework defines and regulates opening of tenders, required to be conducted immediately after the closing date for bid submission. Information on time limits and the process must be included in the bidding documents. The legal framework details the process for bid opening and requires that records of the process be maintained, with copies of those records be made available to any bidder on request. Security and confidentiality of bids until after award of contracts is maintained.
- There are SBDs that include standard contract conditions for works, goods, and consultancy and non-consultancy service contracts. There are general and special conditions of contract.

## Weaknesses

### *Nonalignment between PPL, PPD, and other laws*

- It is appropriate that the PPD (as secondary legislation) elaborate on the provisions of the PPL, although some provisions in the PPD and manual concern fundamental topics that one would usually expect to see in primary legislation, such as candidates' and bidders' rights to clarification and the right to judicial appeal. On other occasions, the PPD introduces a wide interpretation or additional provisions on important issues that are probably better placed in primary legislation, such as a full list of grounds for exclusion.
- It appears that the PPL and PPD are not fully aligned in terms of eligibility criteria (PPL A.28) and grounds for disqualification of bidders (PPD A.16.21). More importantly, all grounds for eligibility and qualifications of bidders should be set out in detail in the primary legislation—the PPL.
- The PPD expands on exclusions from the right to review complaints. All exclusions from right to review should be set out in primary legislation, and the PPL and PPD should be aligned.
- Time frames for issuance of decisions of the CRB are expressed inconsistently. The PPL and PPD should be aligned.
- The requirement for use of norms and standards is not fully aligned in the legal framework. PPL A.29(3)(c) requires that technical specifications invite open competition and be devoid of any statement that restricts competition. PPL A.29(3)(b) requires that technical specifications be based on national standards where such exist or otherwise on internationally recognized standards or building codes. PPD A.16.5(g) refers to use of standards set by the Quality and Standards Authority of Ethiopia (now the Ethiopian Standards Agency, which is an ISO member) or other similar institutions. The manual sets out the precedence of standards in a different order. It explains that technical specification should be based upon recognizable international standards where these exist or otherwise on recognized national standards or codes.
- Time frames for issuance of decisions of the CRB are inconsistent. The PPL and PPD should be aligned.



- Although the PPL defines the terms “candidate” and “bidders,” the use of these defined terms within the PPL is not always complete or correct. For example, in the definition of the CRB, there is reference to the board established to review and decide on complaints from “candidates,” with no mention of bidders. Similarly, PPL A.26 refers to communications between candidates and public bodies being in writing, with no reference to bidders, and PPL A. 30 (2) refers to informing “candidates” of reasons for rejection of bids.
- The difference between the grounds for eligibility and disqualification of bidders in the PPL and PPD creates confusion as to which list applies and whether all requirements must be cumulatively met—another example of lack of alignment between the documents within the legal framework.
- There is a procurement manual that elaborates on the procurement procedure process. In some cases, it also expands upon provisions in the PPL or PPD or introduces provisions that should properly be in primary or secondary legislation.
- Civil Code Proclamation No. 165/1960 (as amended) includes provisions on administrative contracts. The extent to which the provisions of the Civil Code are in force or are applied in practice in public procurement and to contracts awarded under the procurement legal framework is unclear. The interplay between the Civil Code and the specialized public procurement legal framework, including the PPL, PPD, and PPP proclamation, is ambiguous, which creates legal uncertainty,<sup>17</sup> including lack of clarity regarding which contracts are administrative.
- There are inconsistencies between the laws, such as lack of consistency regarding anticorruption provisions between the procurement legal framework, the anticorruption law, and criminal law regarding the definitions of fraud and corruption, as well as the penalties, and differences in definitions of PPP in the PPL and PPP proclamation.
- There is no consistent mechanism within the federal government to review and opine on circulars, letters, and similar advisory documents concerning public procurement issues or having a direct impact on the public procurement system, which different ministries and public bodies issue, to ensure their compliance with the existing legal framework.
- Some of these circulars, letters, and similar advisory documents are not aligned or consistent with the PPL, or for example, they compel a more restricted application of the PPL. In others, the circulars introduce significant deviations to the PPL.

#### *State-owned enterprises*

- SOEs play a key role in the Ethiopian economy. Their operating models vary from operating as and competing with the private sector to performing public tasks and providing public services. Although SOEs are generally not financed from the budget, they may occasionally receive budget allocations.
- SOEs and other public enterprises and organizations in which the government has a significant interest, stake, or influence, as well as procurement that they conduct, are not expressly included in or excluded from the coverage and scope of the Public Procurement Proclamation. This lack of precise provisions in the proclamation leads to different interpretations, creating a general lack of transparency and certainty as to the scope of the proclamation in terms of which public bodies are required to comply with the proclamation. Similarly, participation of SOEs as bidders in the procurement process is not regulated in the procurement legal framework.

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<sup>17</sup> For further discussion, see Bahta (2018).



- The general perception of and feedback from stakeholders in Ethiopia are that public enterprises are excluded from the scope of the Public Procurement Proclamation. In practice, SOEs generally conduct procurement based on their own manuals, which have differences, even though they are modeled after the public procurement rules. The private sector identifies the diversity of procurement rules used by SOEs as a constraint on efficient, effective participation. Moreover, procurement that SOEs conduct is not subject to monitoring, and the Office of the Federal Auditor General (OFAG) does not audit SOEs. The private sector sees use of e-GP as a strong measure to curb corruption in public procurement, although 25 percent of respondents think that introduction of e-GP will lead to loss of business to micro, small, and medium-sized enterprises because of difficulties in submitting bids electronically.

### Key recommendations

- Align legal instruments within the public procurement framework and with other laws.
- Introduce a screening mechanism for all circulars, letters, and similar advisory documents, from all sources, to ensure that they are consistent and in line with the primary legislation.
- Define whether SOEs are included in the scope of application of the PPL.
- To promote fair competition, include provisions on rules for participation of SOEs in public procurement as bidders in the proclamations.
- Ensure that regulatory body representatives are involved in harmonizing public procurement policies under the AfCFTA.
- Without clear, transparent rules, public procurement may become inefficient, uneconomic, or vulnerable to misconduct. Although there is no uniform approach to application of procurement rules to SOEs across countries, and the different nature and purpose of SOE operations may justify a different approach, in general, SOEs, whose focus is delivery of government services, should follow common public procurement rules and practices to ensure that procurement is conducted economically, efficiently, and transparently. The government should thus design a SOE procurement policy that ensures transparency and value for money. To underpin such a policy, the PPPAA should review a study of SOEs undertaken some years ago, to determine whether it is still relevant and can be updated or a new one needs to be conducted to determine categories of SOEs in the context of government interest in them, their governance structure, use of public funds, and provision of services to the public; identify the need for regulating their procurement and the objectives of doing so; and assess options and what impact they are likely to have on the defined objectives. The government has begun and is committed to reforming SOEs, including privatization. The study and designing the procurement policy for SOEs should be coordinated with the reforms. Similarly, the regional states should undertake relevant action.



## Overview of gaps, with risks and recommendations:

Note: Red flags have been raised regarding several gaps identified under this indicator. These gaps are considered factors that are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. These gaps require establishing a mechanism to identify discrepancies between the laws and alignment of laws that would require a major multisectoral effort and engagement of the entire legislative branch. This activity is not within the scope of the public procurement system.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 1(a)—Scope of application and coverage of legal and regulatory framework ✓		
<b>International agreements PPL A.6 (federal)</b> PPL A.6 confirms that, to the extent that the PPL conflicts with an obligation of the federal government under or arising out of an agreement with one or more regional states or with international organizations, the provisions of that agreement shall prevail. The drafting of this provision creates uncertainty in terms of identifying which provisions are conflicting, and it does not make clear which set of obligations applies in the first place.	Low	<b>International agreements (federal)</b> Consider a new provision more explicitly regulating procurement funded through loans by international financing institutions.
The procurement proclamations in Oromia and Addis Ababa City Administration do not explain how obligations that derive from an agreement that the federal government enters into with one or more international organizations would apply to the public bodies in the region.	Low	Include provisions making clear which, if any, international agreements may be entered by the state; explaining clearly how the obligations attaching to grants and credits that the federal government obtains from international organizations are passed on to the regional states; and possibly more explicitly regulating procurement funded through grants and loans from international financing institutions.
<b>Alignment among various legal instruments of the public procurement framework</b> In some cases, the PPL lacks provisions that we would usually expect to see in primary legislation, such as candidates' and bidders' rights to clarification and the right to judicial appeal. On other occasions, the PPD introduces a wide interpretation or additional provisions on	High	Ensure alignment among various legal instruments and adequacy of matters at different levels of the law. Ensure that the PPD and PPL do not overlap and create inconsistencies and that the PPD and circulars do not introduce provisions that materially limit or inappropriately expand the provisions of the PPL. Some examples identified during the assessment are provided in the relevant matrices.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
important issues that are probably better placed in primary legislation, such as a full list of grounds for exclusion. Some circulars, letters, and similar advisory documents create exceptions to application of the public procurement legal framework.		
<b>Access to directives, circulars, letters, and similar advisory documents</b> There is no easily accessible, complete repository of all documents forming the legal and advisory framework for public procurement. Comprehensive, up-to-date information is not available on the PPPAA's website.	High	Require that all directives, circulars, letters, and similar advisory documents be published in a single, central, easily accessible repository and kept up to date. This needs to be combined with an obligation on issuing bodies to submit such documents to the procurement regulatory bodies for checking. Improve coverage and functionality of the PPPAA website and keep its contents up to date. Create websites for the procurement regulatory bodies in the regional states, preferably considering some level of integration with the PPPAA website as the central procurement online platform. In the short term, the bureaus in the regional states should discuss and consider use of the federal PPPAA's website as a central portal and ensure that documents are published and made accessible to public.
✓ <b>Non-alignment with other laws</b> Even if legislative drafting discipline in Ethiopia provides order of precedence, similar provisions in different laws are likely to create uncertainty and confusion in their application. Definitions of anticorruption in the anticorruption law and the public procurement legislation are an example. Another example is an apparent lack of alignment between the public procurement legal framework, the anticorruption law, and criminal law.	High	Ensure consistency of the public procurement legislation and other laws. Some examples identified during the assessment are provided in the relevant matrices. Consider additional agency function to screen all circulars, letters, and similar advisory documents from all sources to ensure that they are consistent and in line with primary legislation. This needs to be combined with an obligation on issuing bodies to submit such documents to the agency for checking.
✓ <b>Contract law</b> There is a significant lack of clarity regarding the applicable contract law. It	Medium	Given the importance of contract law to public procurement, the applicable contract



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
appears that the 1960s Civil Code is still in force, although it may not be used in practice. Although not made legally explicit, there is an understanding that contract law would be one such law, so the regional states could not adopt their own contract law and must instead follow the federal contract law.		law in the regional states should be made explicit.
<b>Bodies subject to the PPL</b> The definition of “public body” appears circular because it does not include the specific entities subject to the PPL. It is not clear whether an organization not generally within the scope of the PPL but that receives public funds for a specific project is required to comply with the PPL for contracts awarded using those public funds. There is, therefore, a general lack of transparency and clarity and significant uncertainty as to the scope of the PPL in terms of which bodies are required to comply with it.	Medium	Draft a clear definition of “public body” that clarifies whether public enterprises, SOEs, other enterprises, and organizations in which the government has a significant interest or influence are expressly included in or excluded from coverage of the PPL. For legal certainty, consider including in the definition the categories of public bodies. Additionally, consider publishing in the agency’s website a list of designated public bodies, SOEs, and other entities that must comply with and are subject to the proclamation, which would ensure transparency and certainty of the coverage of the proclamation.
<b>Public funds</b> Public funds are apparently defined as covering only the region’s government funds (and aid and credits). Given the definition of “public procurement,” this might mean that the PPL applies only to procurement using city funds, which may be difficult to isolate and identify. This appears to suggest that the federal PP applies to federally funded procurement, although this should be made explicit.	Medium	Clarify the scope of application of the PPL in the Regions with respect of the source of public funds—whether it applies to contracts funded by the regional and federal governments or only to those funded by the regional government. If it applies only to regional funding, clarify that the PPL does not apply to contracts that the federal government funds and explain how procurement obligations based on the source of funding will be managed.
✓ <b>Contracts between public bodies for the provision of goods, works, and consultancy or other services at cost</b> PPL A.3(3)(b)) is a broadly drafted provision that has the potential to reduce transparency and competition if overused. The impact of this provision is unclear, particularly because there is a lack of clarity as to which bodies fall within the definition of “public body.”	Medium	Consider more-detailed provisions (specific suggestion provided in respective matrices).



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
<b>Exclusion by the decision of the Regional Council or City Council in Oromia and Addis Ababa</b> The provisions in the respective PPLs to exclude application of the procurement rules based on the decision of the regional or City Council are not transparent and may lead to abuse.	Medium	Base the rules for exceptions (exclusions) on clear purposes related to security or defense of the national interest, which is not a matter of concern or responsibility at the regional level. Consider revising the blanket exclusion provisions.
Sub-indicator 1(c)—Advertising rules and time limits		
<b>Publication of notices:</b> Notices are published primarily in newspapers, which does not provide full transparency of procurement procedures. This, in combination with the high thresholds for publication on the agency's website, seriously limits the transparency and full disclosure of procurement information.	High	Adopt an e-GP platform where procurement information is transparently disclosed to increase the transparency and disclosure of procurement information. Until the e-GP system is fully in use, consider decreasing the thresholds for publishing procurement opportunities on the agency's website.
<b>Advertising procurement opportunities</b> ✓ It is difficult for public bodies to place advertisements. They must place them in person at the office of the national newspaper, which is inefficient and increases transaction costs. The PPD requires that the invitation for bids contain the deadline for bid submission and the date and hour of bid opening, but the newspaper does not provide the date of publishing, so public bodies indicate in the advertisement the period from the publication of the opportunity after which the bids must be submitted and will be opened. This may lead to errors in determining bid submission and opening dates.	Low	Streamline and simplify the process of placing an advertisement in the newspaper to enable public bodies to meet the requirements of the PPD and avoid unnecessary transaction costs. The process of placing the ad should allow the time of placement to be determined so that the public bodies can include the date of bid opening.
Sub-indicator 1(d)—Rules on participation		
<b>Obligations on qualification criteria</b> Rules on qualification criteria are developed in a manner that discriminates against foreign bidders and are not specific to procurement.	High	Ensure consistency of all levels of legislation with the requirement of the PPL that public procurement complies with the principle of non-discrimination and remove the provisions that differentiate the qualification criteria depending on the bidder's nationality.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
<b>The PPL</b> does not establish rules for participation of SOEs in public procurement.	Low	Establish rules for participation of SOEs in public procurement.
<b>Exclusions:</b> The PPLs do not contain provisions to exclude bidders because of conflict of interest.	Medium	Provide for exclusion of bidders in cases of conflict of interest.
<b>Exclusions:</b> There are no provisions in the PPLs referring specifically to exclusion from participation in a public procurement process on the grounds that a firm or individual has been the subject of a conviction by final judgment for specified offenses.	Low	Include specific exclusion provisions in PPLs for criminal and corrupt activities
<b>MSEs participation:</b> MSE incentives raise concerns that, as a result of the definition of MSEs, “properly” defined MSEs and small and medium-sized enterprises are excluded from the market in some regional states such as Oromia and SNNPR. <b>Mandatory subcontracting:</b> such an obligation should be placed in the PPL because new obligations that change the rights of parties should not be created in secondary legislation. In addition, it is important to assess the impact on value for money.	Medium	Study the different incentives for participation of MSEs in depth and ensure consistency with other social and economic objectives, including achievement of value for money in procurement. Because mandatory subcontracting undermines bidders’ ability to devise innovative, cost-effective solutions, its use should be supported only after adequate cost–benefit analysis and deliberation have been done and legal support obtained.
Sub-indicator 1(e)—Procurement documentation and specifications		
<b>Bidders’ right to seek clarification:</b> The right of potential bidders to seek clarification is not made explicit in the PPLs. This is an important right for bidders, so it is advisable to include explicitly at least the principle of the right to seek clarification in clear terms in primary legislation.	Low	Include clear provision in the PPL that potential bidders have the right to seek clarification.
Sub-indicator 1(f)—Evaluation and award criteria		
<b>Life cycle costing evaluation criterion</b> Although combined price and nonprice attributes can be used in the evaluation of bids, life cycle costing seems to be focused on property and asset management.	Medium	Clarify that use of life cycle costing applies also to procurement evaluation, where it may result in better outcomes. Prepare substantive practical guidance and provide practical training for public bodies



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		conducting evaluations using quality and other criteria.
The use of quality criteria, weightings, and methodologies is unclear.	Low	Prepare substantive practical guidance and provide practical training for public bodies conducting evaluations using quality and other criteria.
Sub-indicator 1(g)—Submission, receipt, and opening of tenders		
PPL A.23(2)(a) requires that public bodies maintain records of procurement and make them available but includes a provision requiring public bodies not to disclose information that would “prejudice legitimate commercial interest of the parties or would inhibit fair competition.” Legitimate commercial interest is not defined in the PPL.	Low	Define the commercial interest for the purpose of non-disclosure of information that would “prejudice legitimate commercial interest of the parties or would inhibit fair competition.”
Sub-indicator 1(h)—Right to challenge and appeal		
<b>Standing to make a complaint</b> PPL A.73(1) refers to “candidates” having standing to make a complaint. Standing to make a complaint should also be expressed to be available to “bidders”. There is an inconsistency between the PPL and the manual, with the latter seeming to extend the right to make a complaint to prospective bidders, too, beyond the intention of the PPL. This creates legal uncertainty.	Low	Amend the PPL to provide clarity and certainty on who has standing to make a complaint. Amend the manual to align with the PPL.
Right of judicial review is set out in the PPD.	Low	Amend PPLs to refer to right of judicial review and venue for judicial review.
The composition of the CRB raises questions in terms of independence and impartiality of the parties representing various stakeholders. Their appointment by the minister lacks transparency and independence. Criteria for and qualifications of CRB members are missing from the PPL or PPD.	Medium	Change composition, qualification requirements, and procedures for appointment and dismissal of CRB members to enhance the independence of the CRB, avoid conflicts of interest that participation of the agency’s representatives and of representatives of other bodies such as public enterprises, public bodies, and the private sector create.
Except in SNNPR, the appeal system in the regional states lacks impartiality and capacity.	Medium	Consider organizing the appeal system independent from the Bureau of Finance.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		Establish an appeal system at the local level in accordance with the Ministry of Finance's prototype pool manual.
<b>Acts or omissions not subject to the right to review</b> Exclusions from the right to review, in particular with regard to selection of procurement method, and selection of bidders, and evaluation criteria, mean that bidders and candidates cannot act on significant decisions and problems with the operation of the overall regime.	Medium	Revise exclusions from the right to review, in particular regarding selection of procurement method and selection of bidders and evaluation criteria to ensure that bidders can take action on significant decisions and issues.
Time frames for issuance of decisions of the CRB are expressed inconsistently.	Low	Align time frames for issuance of decisions of the CRB in the PPL and PPD.
It is not clear whether all bidders are notified of suspension of the procurement process and, if so, when. It is also not clear what happens to the suspended procurement process when the head of a public body does not respond to the complaint within 5 working days, as required in the PPL—whether the suspension is automatically lifted or the public body should inform all bidders of the lifting.	Low	The PPL should make clear that all bidders, who submitted bids, should be notified of suspension of the procurement process. The PPL should also clarify what happens to the suspended procurement process when the head of a public body does not respond to the complaint within 5 working days, as PPL A.74(4) requires.
<b>Publication of applications and decisions</b> Applications for appeal and full decisions are not published in easily accessible places.	High	Include a provision in the PPL requiring that applications for appeal and full decisions be published in easily accessible places and within a specified time period.
<b>Notification of decisions to parties</b> No time is specified within which notification of the CRB decisions must be made to parties.	Low	Include a provision requiring notification of decisions to parties within a specified period of time.
<b>Judicial review and right of appeal</b> Clause A.50 of the PPD as drafted is problematic because it jumps from a public body to the court, whereas the highest administrative body is the CRB. In addition, it does not specify which court should review the board's decision.	Medium	Include in the PPL a provision confirming right of appeal, venue for appeal, and time limits for appeal. Provide consistency in the two-tier system of complaints between the PPL and PPD.
Sub-indicator 1(i)—Contract management		



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
It appears there is a lack of certainty for public bodies and suppliers as to the correct classification of contracts awarded under the PPL and the impact of this on the availability of arbitration.	Low	The PPL or PPD should clarify when arbitration shall be used as a forum.
Sub-indicator 1(j) – Electronic procurement (e-Procurement)		
<b>e-GP:</b> The PPL provides general provisions allowing for development of an electronic procurement system but does not contain specific provisions.	Medium	Review and update the PPL and corresponding implementing rules guiding the manual procurement process to reflect the new practices to be followed when conducting procurement electronically. <sup>a</sup>
Sub-indicator 1(k)—Norms for safekeeping of records, documents, and electronic data		
<b>Procurement records</b> The drafting of PPL A.23 is confusing, particularly the interaction between A.23(2)(a) and A.23(2)(b) and what is or is not available for public inspection. PPL A.23(2)(b) provides that information relating to examination of bids, proposals, or quotations and the actual content of bids, proposals, or quotations shall not be disclosed except when a competent court or other authorized body orders it. This provision, although protecting sensitive information, also appears to significantly limit the extent to which general information about the procurement process is publicly available, reducing transparency and accountability.	High	Provide separate guidance on identification and management of information of commercial sensitivity or confidentiality during the bid evaluation process and after the contract award.
There is no legislation that establishes security protocols to protect records.	Low	Consider adopting a regulation establishing security protocols to protect records and classification of documents.

a. These rules include those identified in the Gap Analysis sections of the matrices, including the roles and responsibilities of each party in the procurement process (procuring agency, supplier, electronic government procurement (e-GP) system), the agency in charge of maintaining the e-GP system, the methods to be used with the e-GP system, full and unrestricted access to the e-GP system by all interested parties, and the phases of procurement that the system will support.

Note on abbreviations: MSE, micro and small enterprise; PPD, Public Procurement Directive; PPL, Public Procurement Law; PPPAA, Public Procurement and Property Administration Agency; SOE, state-owned enterprise; SNNPR, Southern Nations, Nationalities, and People's Region.



## Other recommendations for improvement

### PPP proclamation and PPP directive:

- Because the PPP board includes members from the private sector, there is potential for conflicts and disclosure of confidential information. In light of the role of the PPP board and the high profile and value of projects, there should be a very clear and specific ethics policy accompanied by ethics training, a register of interests, and signed statements about no conflict of interest.
- Competitive Dialogue: The concept and methods of procurement of PPPs are likely to be a novelty for many public bodies, so specialist support from the PPP Directorate will be critical. Before using procedures such as competitive dialogue, the government may, if it has not already done so, wish to review and understand practices and experiences in countries where this method is used or originated because experiences are mixed regarding successful use of the method.
- PPP Directive A.30, Route for Complaint, which provides for appeal “to the PPP Directorate General or hierarchically to the board” is not clear. It appears that bidders have the option to complain to the PPP Directorate or the CRB. It would be helpful to have a direct reference in the PPL to the fact that PPP complaints fall within the scope of the complaint provisions in the PPL and within the jurisdiction of the Complaint Review Board.
- Introduce a provision in the PPL or PPD requiring public bodies to send the minutes of bid opening to all bidders, as opposed to sharing upon request.

## Indicator 2. Implementing regulations and tools support the legal framework

This indicator verifies the existence, availability, and quality of implementing regulations, operational procedures, handbooks, model procurement documentation, and standard conditions of contracts. Ideally, the higher-level legislation provides the framework of principles and policies that govern public procurement, whereas lower-level regulations and more-detailed instruments supplement the law, make it operational, and indicate how to apply it to specific circumstances.

### *Findings*

#### **Strengths**

- There are comprehensive procurement regulations, including the directive and the Procurement Manual, except for the latter in Afar and Oromia.
- There are model SBDs published at the federal level and available to download from PPPAA website for goods, works, and consultancy and non-consultancy services. In each case, there are separate SBDs for international competitive bidding (ICB) and national competitive bidding (NCB). There are also ICB and NCB SBDs for procurement of goods under framework agreements, and for procurement of information systems, textbooks, and health sector goods.
- SBDs have a structure in accordance with international standards, and there are standard templates covering invitation to bid and bid opening and evaluation, including a bid opening checklist, minutes of bid opening, a report on bid submissions, and a bid evaluation report.



## Weaknesses

- SBDs for some sectors and procurement do not appear to be proportionate to the complexity of procurement, sector and market, and there is need for a set of simplified documents.
- The SBDs have not been updated since 2011, when they were prepared.
- At the regional level, there is a practice of using the federal SBDs but not for all categories of procurement. There is no official instruction or guidance mandating use of the federal SBDs in the regional states; their use is at the discretion of the public bodies.
- There are no procurement manuals in Afar and Oromia.

## Key recommendations

- Review and update the SBDs as necessary.
- Align the manual with the legislative framework.
- Prepare procurement manuals in Afar and Oromia.
- Prepare tools and templates to support procurement implementation in key areas such as value for money, life cycle costing, and sustainable procurement.
- Consider preparing SBDs that are applicable to all, including at the federal and regional levels, with versions proportionate to sectors and markets.

Overview of gaps, with risks and recommendations:

Substantive Gap / ✓(Red Flag)	Risk	Recommendation
Sub-indicator 2(b)—Model procurement documents for goods, works and services		
The SBDs are not proportionate to the complexity of procurement, sector and market or are not updated, and not all are available on the PPPAA website. Some regional states do not have SBDs, and those that do not always use them.	Medium	Update the SBDs, which were prepared in 2011, and regularly review as needed. Make all SBDs available on the PPPAA website. Consider preparing SBDs that are applicable to all, including the federal and regional level, with versions proportionate to sectors and markets.
Sub-indicator 2(d)—User's guide or manual for procuring entities		
Federal level, Afar, SNNPR: Responsibility for maintenance of the manual is clearly established, but it has not been updated. It appears to elaborate on provisions to expand on the PPL and PPD. There is not always full alignment between the manual, the PPL, and the PPD.	Medium	Align the manual with the PPL and the PPD and update it.
There are no manuals or guidance to support procurement processing, especially in Afar and Oromia.	Medium	Prepare manuals in Afar and Oromia. Provide guidance for support staff in using procurement options such as value for money, life cycle costing, and the merit point system.



Note: PPD, Public Procurement Directive; PPL, Public Procurement Law; PPPAA, Public Procurement and Property Administration Agency; SBD, standard bidding document; SNNPR, Southern Nations, Nationalities, and People's Region

#### Other recommendations for improvement

- The provisions of contract amendments and price adjustments are broadly drafted and could be interpreted widely, to the detriment of competition. Even though, as the assessment shows, during the 3 years that the assessment covers, except for one public body, the value of amendments was insignificant (whereas time extensions were significant). Amend provisions on contract amendments and price adjustment for greater precision and avoidance of unnecessary discretion in their application.

### **Indicator 3. The legal and policy frameworks support the sustainable development of the country and implementation of international obligations**

This indicator assesses whether horizontal policy objectives, such as goals aiming at increased sustainability and supporting certain groups in society, and obligations deriving from international agreements are consistently and coherently reflected in the legal framework (whether the legal framework is consistent with the higher policy objectives of the country).

#### ***Background information***

Sustainable public procurement promotes integration of the three pillars of sustainable development: economic development, social development, and environmental protection. Sustainable public procurement typically focuses on reducing demand for resources and minimizing negative impacts of goods, works, and services throughout their life cycle. It also ensures fair contract terms, including ethical, human rights, and employment standards, and promotes diversity and equality along the supply chain, for example by providing opportunities for small and medium-sized enterprises or supporting training and skill development. Sustainable public procurement can also include methods that support innovation.

#### ***Micro and small enterprises***

Definition of MSEs in Ethiopia:

- A micro enterprise has total capital, excluding buildings, of 50,000 birr or less in the service sector and 100,000 birr or less in the industrial sector and engages five or fewer workers, including the owner and family members.
- A small enterprise has total capital, excluding buildings, of 50,001 birr to 500,000 birr in the service sector and 100,001 birr to 1,500,000 birr in the industrial sector and engages six to 30 workers, including the owner and family members.

The Federal Micro and Small Enterprises Development Agency, established in 2001 (SNNPR Micro and Small Enterprises Development Agency in SNNPR), supports, coordinates, and formulates policies and programs to promote and develop the MSE sector.



### *International agreements*

At the federal level, all international agreements that Ethiopia has ratified are an integral part of the law of the land (1995 Constitution A.9(4)).

PPL A.6 confirms that, to the extent that the PPL conflicts with an obligation of the federal government under or arising out of an agreement with one or more regional states or with international organizations, the provisions of that agreement shall prevail.

Ethiopia is a member of the Agreement Establishing the AfCFTA. Member states are harmonizing public procurement policies. Accordingly, there are plans to develop a continental procurement policy to ensure that procurement policies are in harmony. AfCFTA will develop a model law that member states can adopt.

Ethiopia signed UNCAC on December 10, 2003, and through Proclamation No. 544/2007 on November 26, 2007, adopted it into the country law.

- Article 9(1)(a) of UNCAC calls for “public distribution of information relating to procurement procedures and contracts, including information on invitations to tender and relevant pertinent information on the award of contracts, allowing potential tenderers sufficient time to prepare and submit their tenders.”
- Article 9(1)(b) of UNCAC calls for “establishment, in advance, of conditions for participation, including selection and award criteria and tendering rules, and their publication.”

The African Union Convention on Preventing and Combating Corruption is another international agreement with impact on procurement. Member states of this Convention agree to adopt legislative measures to create, maintain, and strengthen their procurement systems and management of public goods and services. UNCAC requires that parties establish appropriate procurement systems based on transparency, competition, and objective criteria to prevent corruption.

Ethiopia is also a member of the African Union, whose headquarters Ethiopia hosts in Addis Ababa. As a member, Ethiopia can benefit from the union’s work, for example of the New Partnership for Africa’s Development, which is the implementing arm for the union’s Agenda 2063 development strategy. New Partnership for Africa’s Development’s structure includes several committees complemented by various panels such as procurement and recruitment, as well as directorate- and division-level quality assurance task teams.

### **Findings**

#### **Strengths**

- There are elements of sustainability in procurement in fair contract terms, schemes supporting MSEs and local contractors, and contractual provisions that require compliance with the country’s environmental laws.
- The international laws that the country ratifies become its laws.

#### **Weaknesses**

- There is no policy on sustainable public procurement.
- Schemes supporting MSEs and local contractors seem to be excessive, such as mandatory subcontracting of MSEs up to 40 percent, or schemes used by some public bodies mandatory subcontracting of local firms at 20 percent of the contract value, reserving contracts up to certain thresholds for MSEs, and there is no research to prove that they achieve their goals.



- Although international laws that Ethiopia ratifies become its laws, obligations stemming from these laws are not fully reflected in the specific laws and implemented in practice. For example, publication of information on contracts and of administrative rulings by the CRB that UNCAC requires is not reflected in the legislative procurement framework.

### Key recommendations

- With support of appropriate research, analyze the impact of existing preferential schemes and revise based on evidence.
- Amend legislation to introduce the minimum level of transparency recommended for different indicators of this assessment and for full compliance with UNCAC.

Overview of gaps, with risks and recommendations:

Note: A red flag has been raised regarding a gap identified under this indicator. Implementation of the recommendation requires cooperation, decisions, and actions in other sectors that technically contribute to the sustainable economy.

Substantive Gap / ✓(Red Flag)	Risk	Recommendation
Sub-indicator 3(a)—Sustainable public procurement (SPP)		
✓ There is no policy on sustainable public procurement policy.	Medium	Develop a policy for promotion of sustainable procurement in accordance with the Transformation and Growth Agenda, allowing for sustainability to be incorporated at all stages of the procurement cycle.
Sub-indicator 3(b)—Obligations deriving from international agreements		
International laws, when ratified and adopted through a proclamation, become the law of the country, but they are not fully reflected in the procurement framework. For example, the United Nations Convention Against Corruption requires public distribution of information on contracts, which is not reflected in the procurement legal framework.	High	Amend the legislation to introduce the minimum level of transparency recommended for different indicators of this assessment and for full compliance with the United Nations Convention Against Corruption. Ensure compliance with the transparency provisions. Improve procurement record keeping (see also Indicator 9(c)).

## 3.2. Pillar II—Institutional Framework and Management Capacity

Pillar II assesses how the procurement system defined by the legal and regulatory framework in a country is operating in practice, through the institutions and management systems that constitute overall governance in the public sector. It also evaluates how effective the procurement system is in discharging the obligations prescribed in the law, without gaps or overlaps. It assesses whether it is adequately linked with the country's PFM system; whether institutions in charge of necessary functions are in place; and whether managerial and technical capacities are adequate to undertake efficient, transparent public procurement processes.



## **Main findings**

### **Mainstreaming of public procurement**

In Ethiopia, the public procurement system is not sufficiently mainstreamed or integrated into the PFM system, as evidenced by, for example, the fact that procurement plans are not prepared until after budget preparation is completed, confirming the availability of the necessary funds before soliciting bids is not a uniform practice, and it seems possible to circumvent mechanisms in the IFMIS intended to block initiation of procurement without assurance of the needed budget allocation.

There is insufficient linkage between budget preparation and the annual procurement planning process. Instead of being prepared in coordination with and facilitating the budget preparation process (including multiyear budget planning), procuring entities' annual procurement plans are prepared after the budget preparation process is completed. Moreover, the legal framework for public procurement does not mandate preparation and publication on the Web portal of the annual procurement plan.

Other procurement planning weaknesses include lack of use in most entities of market research to guide selection of procurement strategies and methods; choice of inappropriate procurement methods, although open bidding is the default method unless another method is justifiable; absence of risk-assessment strategies; gaps in development and implementation of sustainable procurement strategies (e.g., although some policies are defined and implemented, in particular, preferences for local manufacture and services, environmental sustainability techniques are underdeveloped; SBDs do not contain general conditions of contract clauses related to requirements concerning environmental, health and safety, and social considerations in the project-procurement cycle; and there is no requirement for preparation of independent feasibility studies).

### **Policy and oversight functions**

Establishment of a full range of policy and oversight functions for a public procurement system, and their consolidated allocation to an entity or office not engaged in operational functions related to conducting or issuing approvals for specific procurement operations, is a critical milestone in the modernization of public procurement systems. The MAPS II assessment identifies deficiencies in how such policy and oversight functions have been instituted in the Ethiopian system. In particular, the PPPAA has been given non-operational functions of a regulatory nature and operational functions of the type it is charged with regulating (issuance of waivers from required procedures, e.g., concerning use of procurement methods, sitting on the CRB and participating in deliberations and decisions on complaints from bidders while also serving as the secretariat of the CRB, conducting procurement audits, and making decisions on debarment applications). That combination compromises the autonomy of the policy and oversight and regulatory functions because, in accordance with fundamental governance principles, "the regulated" should not also be "the regulator."

Lack of staff and capacity, which stems in particular from inability to attract, sufficiently remunerate (e.g., the MoF has a higher salary structure than the PPPAA), and retain qualified personnel also limits the effectiveness of the PPPAA. That is a significant drawback because the PPPAA is supposed to lead the procurement system and provide guidance to and answer questions from practitioners. For example, although the PPPAA has established a help desk to answer inquiries from practitioners, the limited capacity of PPPAA employees staffing the help desk has curtailed its utility. The tendency of the PPPAA to take on additional functions that it has not been formally given exacerbates the lack of capacity (e.g., training, which consumes many resources and that it need not implement itself). The role of the PPPAA should be to ensure that appropriate capacity-building programs are provided (e.g., by the Civil Service University), not necessarily to provide training itself.



Likewise, lack of adequate organizational structure and capacity commensurate with their responsibilities limits the procurement regulatory function in regional states. In three regional states (except SNNPR), the procurement regulatory function is organized as a department or unit under the regional Bureau of Finance and Economic Cooperation without a dedicated management structure or resources. In view of the large procurement expenditures (in particular in Addis Ababa City Administration and Oromia), the structure and staffing levels appear inadequate to engage actively and substantively, as mandated in their respective PPLs. As a result, key procurement regulatory responsibilities, including procurement monitoring, system-strengthening activities, advisory services, and updating procurement documents, have not been accomplished.

In addition, certain PPPAA involvement (help desk, participation in deliberations and decisions of the CRB, providing secretariat services to the CRB, issuing waivers of requirements in the proclamation) compromises the autonomy of the PPPAA's procurement audits and other nonoperational functions. Regarding information and guidance that the PPAA provides, including through the help desk, the procuring entity is responsible for its actions, decisions, and omissions in implementing procurement.

Pursuant to the Constitution, the HPR is mandated to exercise oversight over government bodies and particularly over audit findings. The HPR receives and reviews the reports of OFAG, the supreme audit institution of the Ethiopian government. The Public Accounts, Administration, and Control Affairs Committee provides more-detailed oversight.

### **E-government procurement**

Although the proclamation authorizes introduction of electronic means of conducting procurement proceedings, the provisions in the proclamation remain paper bound and not relevant to a digitalized procurement environment. A true web portal for the procurement system, building on the PPPAA website, is yet to be introduced.

The government has adopted an e-GP roadmap based on a March 2018 readiness assessment. Steps in the roadmap include upgrading the e-GP system that was developed in house and is not widely used and conducting 18 month-long e-GP pilots in seven entities, which have not yet begun. The system will then be implemented at the federal level and, subsequently, perhaps also at the regional level.

Specific provisions to cover the main areas of the procurement system that e-GP will affect must be included in the PPL (e.g., agency in charge of developing and maintaining the e-GP system; procurement cycle stages that the e-GP system covers (e.g. procurement planning, advertisement, bid submission, evaluation, award, bid complaints, contract management); requirement for authenticity, privacy, and security of the procurement system; procurement methods that can be conducted using the e-GP system; requirement for full and unrestricted access; roles and responsibilities of each party in the procurement process; and maintaining records when conducting procurement electronically).

### **Capacity building and professionalization**

Capacity building, and its relationship to good governance, features prominently in the GTP II objectives. Shortfalls in capacity are a major factor in underperformance of the procurement system. Nevertheless, although there are some training programs, they are insufficient in terms of depth and quantity of training opportunities and not on a sustainable financial footing. For example, the PPPAA has developed a training program that would certify trainees at three levels, but it is yet to be recognized by the Civil Service Commission. Training for other participants in public procurement is also insufficient or lacking. Training for auditors is limited and insufficient to meet the need for sophisticated competence required for



meaningful procurement audits that include performance auditing. Neither are sufficient training opportunities made available for the private sector, although some training has been offered to MSEs. Civil society must also be offered training to fulfill its role of providing input and feedback for the procurement system. Furthermore, there is no strategy for professionalization of the procurement workforce (although the notion of professionalization is envisaged in the feasibility study, and various elements of professionalization are mentioned there).

The PPPAA has been working to establish procurement professionalization training for many years. The aim of the training program was to establish a career progressive training program for procurement and asset management officers and to establish an independent procurement and asset management body (Ethiopian Institute of Procurement and Asset Management) to provide training, accreditation, and monitoring of procurement and asset management professionals in the country.

In accordance with the roadmap developed in 2011 (Ticker 2011), the agency established procurement and property management professionalization training at three levels (essential, basic, advanced) for procurement and property management functions. In collaboration with the Civil Service University, six rounds of training were provided up to the time of the MAPS Assessment Report, and 1,176 procurement and property administration professionals were trained, but there is great concern about the sustainability of the training program because of the lack of a vision as to how the program can be sustained in the absence of adequate funding from donor programs. In addition, the training is not recognized in the procurement career structure, which is a disincentive for the trainees and PEs, and the Civil Service University, which was identified as the host institute to run the program as one of the regular training programs, does not yet fully own the training program. Instead, the PPPAA has continued to administer the training program through an ad hoc structure and without an adequate mandate or capacity. The quality of the training program has not been reviewed independently.

Another area of weakness related to capacity building is in the realm of procurement professionalization, an area hampered by significant gaps:

- There is a lack of integration and synchronization between the procurement professionalization initiative, the procurement officer cadre, and the civil service system.
- Without a competency framework outlining the skills required for various levels of the procurement cadre, very generic qualification requirements are established, not related to skills needed to perform responsibilities at particular levels.
- Training programs and promotions are not linked to staff performance evaluations.
- There is no mechanism for systematic monitoring and enforcement of professional standards for the procurement workforce.
- Procurement staff performance evaluation is general and not specifically tied to procurement work.

The Civil Service Commission is evaluating the procurement professionalization program and plans to incorporate the program into its job grading and classification scheme. In doing so, the commission may consider and build on the elements of a professionalization strategy mentioned in the feasibility study.

Capacity issues are not confined to public sector officials, and although public sector capacity is perceived to be a greater problem than private sector capacity, there are indications of capacity challenges in the private sector. Unsophisticated practices in the private sector include submitting bids without reading the bidding documents. The level of private sector organization and participation varies from sector to sector. Capacity problems are particularly evident in smaller procurements, in which level of organization and capacity of the participating private sector is lower. The PPPAA does not provide a formal training program



for the private sector beyond some workshops and other information dissemination events, although some training is offered for MSEs.

#### **Indicator 4. The public procurement system is mainstreamed and well-integrated with the public financial management system**

This indicator focuses on how well integrated the procurement system is with the PFM system given the direct interaction between procurement and financial management, from budget preparation to planning treasury operations for payments.

##### ***Findings***

##### **Strengths**

- Public bodies are required to prepare annual procurement plans, which must be approved and communicated to the regulatory body by a specified date after the budget has been approved, although they are based on the allocated budget.
- There is a well-developed reporting mechanism. The requirement to submit invoices to the MoF or BoF allows the Treasury to plan fund flows.

##### **Weaknesses**

- Information of a procurement planning nature (e.g., cost estimate, market analysis, scheduling) in project feasibility studies is considered in the budget preparation process through the NPC's approval of the project, but that is a practice and not a statutory requirement and is thus not consistently applied, resulting in unrealistic budgets.
- Although the requirement to submit invoices to the MoF or BoF allows the Treasury to plan fund flows, it also is an extra step in the process of paying the invoices, which causes delays.
- There is a delay in cash transfers from the federal level to regional states and to PEs, particularly for payment required for capital projects (relevant to Afar, Oromia, and SNNPR).

##### **Key recommendations**

- Enact and implement the Public Project Administration and Management System Proclamation that has been submitted to the HPR to help integrate the budgeting and procurement planning process, at least for major projects.
- Certify availability of funds before issuing tenders.
- As one option to minimize risk of payment delays, streamline and simplify review of invoices by the MoF and BoF before payments.
- Streamline the budget transfer process from the federal level to the regional states



## Overview of gaps, with risks and recommendations:

Note: Red flags have been raised regarding several gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps requires action by bodies outside the public procurement system.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 4(a)—Procurement planning and the budget cycle ✓		
There is no requirement for or practice of preparing a typical procurement plan (annual or multiyear) to inform the budget preparation process. There is a delay in cash transfers from the federal level to the regional states and to PEs, particularly for payment required for capital projects (relevant to Afar Oromia, and SNNPR).	Medium	Consider more-explicit provisions requiring that budgeting be integrated with procurement plans. Enact and implement the Public Project Administration and Management System Proclamation that has been submitted to the HPR to help integrate the budgeting and procurement planning process, at least for major projects. Adopt a similar arrangement in the regional states. Streamline the budget transfer process from the federal level to the regional states.
Sub-indicator 4(b)—Financial procedures and the procurement cycle ✓		
✓ The proclamation provides that no contract shall be signed before certification of availability of budget, instead before solicitation of tenders.	Low	Require that tenders not be solicited before budget availability is certified.
✓ The entire procedure for processing of invoices and authorization of payments is not publicly available or clear to potential bidders.	Low	Include a provision on the invoice approval processes in the procurement legislative framework.
The percentage of invoices paid on time in the regional states and at the federal level varies and, in some cases, is very low.	Medium	Public bodies should review their processes to minimize risks of delays in payment of invoices. Review the process of submitting invoices to the MoF and BoF to streamline it and minimize the impact on timeliness of payments.

## Other recommendations for improvement:

- Although reporting on budget execution is frequent (monthly), the reports should be analyzed, and necessary corrective measures taken in a timely manner.
- The MoF may also consider simplifying the scope of reporting by integrating available reporting from IFMIS with the reports that public bodies provide.



## **Indicator 5. The country has an institution in charge of the normative/ regulatory function**

This indicator refers to the normative or regulatory function in the public sector and its proper discharge and coordination. Assessment of the indicator focuses on the existence, independence, and effectiveness of this functions and the degree of coordination between responsible organizations. Depending on the institutional set-up, one institution may be in charge of all normative and regulatory functions. In other contexts, key functions may have been assigned to several agencies; for example, one institution might be responsible for policy, and another might be in charge of training or statistics. As a rule, the normative or regulatory function should be clearly assigned, without gaps or overlaps. Too much fragmentation should be avoided, and the function should be performed as a well-coordinated joint effort.

### ***Findings***

#### **Strengths**

- There are regulatory bodies at the federal and regional levels. At the federal level and in SNNPR, a dedicated public procurement agency fulfills the regulatory function. In the remaining regional states, the proclamations assign the regulatory function to the BoF.
- The PPPAAs are established as autonomous government organs with their own judicial personality.
- The proclamations set out the objectives of the agency. These include ensuring application of fair, competitive, nondiscriminatory, value-for-money procurement; a compliance role; capacity building; working to ensure uniformity and consistency in the public procurement system; and harmonizing the system with internationally recognized standards.
- The proclamations set out the functions and powers of the agency.
- PPL provides that the government shall allocate the budget of the PPPAA.
- The responsibilities of the heads of public bodies are listed in the proclamations.

#### **Weaknesses**

- The position of head of a public body is not defined in the proclamations.
- The functions and duties of the regulatory bodies (agency) are wide ranging and lack separation of certain duties, leading to actual or perceived conflicts of interest (e.g., approves nonstandard procedures but also conducts performance audit; provides legal advice to public bodies and participates in the CRB).
- The procurement regulatory function in Addis Ababa, Afar, and Oromia is not independently organized and does not have a dedicated management structure and budget.
- The private sector survey results show that half of respondents think that conflicts of interest are obvious or abundant. More than half of respondents (up to 70 percent in SNNPR) experienced a conflict of interest. The highest percentage of responses indicated that the conflict of interest was related to an official position used improperly for private advantage and improper personal gain (from 42 percent in Addis Ababa to 73 percent in Afar). The next highest conflicts of interest were related to unclear separation of duties (from 30 percent in Oromia to 61 percent in Addis Ababa) and officials' political affinities (36 percent to 45 percent).



## Key recommendations

- Provide the regulatory function with adequate structure and resources, independent from the BoF, particularly in the large regional states such as Addis Ababa and Oromia.
- Increase the capacity of the regulatory bodies.
- Review the functions and structure of the regulatory bodies to remove grounds for complaints about conflict of interest.

Overview of gaps, with risks and recommendations:

Note: Red flags have been raised regarding two gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps requires involvement of bodies outside the public procurement system, for example the Civil Service Commission.

Substantive Gap / ✓(Red Flag)	Risk	Recommendation
Sub-indicator 5(b)—Responsibilities of the normative/regulatory function		
Although the research and surveys that are responsibility of the regulatory bodies generate useful procurement information for monitoring public procurement, they are not conducted regularly.	Medium	Require regulatory bodies to collect and provide procurement information.
Sub-indicator 5(c)—Organization, funding, staffing, and level of independence and authority		
✓ The PPPAA's organizational structure and staffing are not adequate to fulfill its responsibilities. Its capacity is insufficient to effectively lead and improve the public procurement system in Ethiopia.	High	Ensure that the organizational structure of the PPPAA, including staffing requirements, enables the agency to fulfill its responsibilities, especially its key responsibilities.
✓ The regulatory function is not housed at the appropriate level, and the head has a low level of authority in the regional states (excluding SNNPR).	Medium	Establish an independent procurement regulatory body with a dedicated management structure to perform regulatory functions in the regional states.
Sub-indicator 5(d) –Avoiding conflict of interest		
The functions and duties of the PPPAA are wide ranging, with insufficient separation of duties to avoid actual or perceived conflicts of interest. The close links between the agency and the CRB create the potential for conflict with other advisory, regulatory, and monitoring roles of the agency in relation to procurement and contracts.	Medium	Avoid actual or perceived conflicts of interest when implementing recommendations related to the CRB and adjust the organizational structure to ensure that the PPPAA's responsibilities are fulfilled, with a focus on key responsibilities.
In all regional states except SNNPR, procurement regulatory responsibility is	High	Provide the regulatory function with adequate structure and resources independently of the



Substantive Gap / ✓(Red Flag)	Risk	Recommendation
assigned to the BoF, which lacks the structure and resources necessary for efficient functioning.		BoF, particularly in the large regional states such as Addis Ababa and Oromia.

Note: BoF, Bureau of Finance; CRB, Complaint Review Board; PPPAA, Public Procurement and Property Administration Agency; SNNPR, Southern Nations, Nationalities, and People's Region.

#### Other recommendations for improvement

- Although the legislation framework limits the advisory and support role of the agency to federal and regional governments and city administrations, the agency provides this advice to the public bodies through a help desk established within the agency. Within the constitutional framework, the PPPAA may consider coordination of the federal and regional public procurement systems and support the regional states.
- The PPPAA is accountable and reports to the MoF, but there is a lack of transparency as to where the lines of accountability lie beyond that level. This ties in with wider concerns about the general lack of transparency and accountability in the operation of the public procurement system. Consideration should be given, for example, to the accountability of the agency to Parliament, through the MoF, by means of annual reporting on the functioning of the public procurement system. It is also recommended that the agency and MoF have statutory obligations to prepare and publish reports on the operation of the public procurement system.
- The PPPAA should review and consider additional sustainable income sources to increase their financial autonomy.

### Indicator 6. Procuring entities and their mandates are clearly defined

This indicator assesses whether the legal and regulatory framework clearly defines the institutions that have procurement responsibilities and authorities, whether there are provisions for delegating authority to procurement staff and other government officials to exercise responsibilities in the procurement process, and whether there is a centralized procuring entity.

#### Findings

##### Strengths

- The responsibilities and competencies of public bodies and the responsibilities, competencies, and duties of the Procurement and Property Administration Unit within a public body are set out in the PPL.
- The PPL provides that staff and heads of procurement units and the Procurement Endorsing Committee shall be accountable for their actions in accordance with the PPL and PPD.
- There are centralized procurement units at the federal and regional levels for procurement of common goods; in *woredas*, where the volume of procurement by each public body is small, procurement is pooled and centralized in the Finance Office.

##### Weaknesses

- The definition of “public body” is unclear because it does not outline the specific entities subject to the PPL.



- No list of all public bodies subject to the PPL is published anywhere.
- The accountability provision is limited to procurement staff, or the head appointed to lead the procurement and property administration units and members of the procurement endorsing committee in public bodies.
- The internal organization and staffing of the centralized procurement units at the federal and regional levels are often not sufficient, and public bodies sometimes procure goods that should have been procured at a more centralized level.

#### Key recommendations

- As part of regular review/audit by the regulatory bodies, consider assessing the structure, capacity, and ability of the procurement function of the public bodies to discharge their responsibilities.
- Define accountability for all procurement decision makers.
- Increase capacity of the centralized unit to procure common goods.

Overview of gaps, with risks and recommendations:

Substantive Gap / ✓(Red Flag)	Risk	Recommendation
Sub-indicator 6 (a)—Definition, responsibilities, and formal powers of procuring entities		
In addition to points raised under indicator 1 (a), a list of public bodies subject to the PPL is not published on the agency's website.	Medium	Subject to the PPL, publish the full list of public bodies, which would increase certainty regarding the entities included within the scope of the PPL.
The capacity and capability of the procurement function of public bodies vary and in many cases are insufficient.	Medium	As part of the regular review/audit by the regulatory bodies, consider assessing the structure, capacity, and capability of the procurement function of the public bodies to discharge their responsibilities.
Accountability for decisions is not defined for all decision makers for procurement; no accountability is defined for technical staff.	Medium	Define accountability for all procurement decision makers.
Sub-indicator 6 (b)—Centralized procurement body		
The centralized procurement service in the Southern Nations, Nationalities, and People's Region is not functioning at full capacity.	Medium	Given the need to optimize procurement to address challenges such as limited local markets, enhance the functioning of the centralized procurement service and use of framework agreements.
The centralized procurement function (pool system) is not consistent with the procurement organization stipulated in the public procurement proclamations. The legislation in the regional states does not	Medium	Revise the primary legislation in the regional states to accommodate the centralized procurement arrangement at the local level



Substantive Gap / ✓(Red Flag)	Risk	Recommendation
cover the centralized procurement arrangement at the local level ( <i>woredas</i> ).		
Internal organization and staffing of centralized procurement units at the federal and regional levels are often insufficient, and public bodies sometimes procure goods that should have been procured at a more centralized level.	Medium	Increase the capacity of the centralized unit to procure common goods.

Note: PPL, Public Procurement Law

## Indicator 7. Public procurement is embedded in an effective information system

The objective of this indicator is to assess to what extent the country or entity has systems in place to publish procurement information, to support the different stages of the public procurement process through application of digital technologies, and to manage data that allow for analysis of trends and performance of the entire public procurement system.

### Current Provisions

- The manual requires that communication by e-mail be confirmed in writing and that communication made by e-mail shall not be considered communication in writing.
- The manual states that bids must be delivered by hand or mail and may not be submitted by telex, fax, or e-mail.
- It is early days in the introduction of e-GP. The e-GP strategy and action plan are relatively recent, dating from 2018. The strategy and roadmap cover 2018 to 2023.

### Findings

#### Strengths

- The PPL allows the minister to issue directives to determine the extent to which communication by electronic means may be used in addition to or instead of writing.
- The PPL confirms that the ministry may authorize use of electronic methods of procurement. To implement this, the PPL provides for the agency to conduct a study and submit proposals and to ensure that public bodies, suppliers, and supervising entities have the capacity to authorize implementation of an electronic system for all or certain procurements.
- Regional PPLs provide similar authority to BoFs (agency in the case of SNNPR) to use electronic means of procurement.
- The PPD provides that public bodies may, with permission from the agency, use electronic means to send requests for quotations and receive quotations under certain conditions.



## Weaknesses

- The PPL provides general permissive provisions for development of an e-GP system, but it does not contain specific provisions covering areas such as which agency is in charge of developing and maintaining the e-GP system; which procurement cycle stages the e-GP system covers (e.g., procurement planning, advertisement, bid submission, evaluation, award, bid complaints, contract management); requirements for authenticity, privacy, and security of the procurement system; which procurement methods should be conducted using the e-GP system; requirement for full, unrestricted access; roles and responsibilities of each party in the procurement process; and maintaining records when conducting procurement electronically.
- Implementation is slow. The planned pilot in seven public bodies did not start in January 2020, and the pandemic has postponed it.
- The regional states have not been engaged in the planning process.

## Key recommendations

- Undertake the pilot and implement the e-GP system at the federal level.
- Prepare a roadmap for implementation of the e-GP system in the regional states.
- Ensure that the e-GP system provides data and reports in an open data format so that the public can access the public procurement system.

Overview of gaps, with risks and recommendations:

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 7(a)—Publication of public procurement information supported by information technology		
Complete, up-to-date information on procurement is not accessible. There is no integrated information system or centralized online portal that provides up-to-date information. The PPPAA website is not fully functional in terms of capacity or use. The regional states do not have websites.	High	Improve coverage and functionality of the federal PPPAA website and ensure its up-to-date contents maintenance. Create websites for the procurement regulatory bodies in the regional states, preferably with some level of integration with the PPPAA website as the central online procurement platform. In the short term, bureaus in the regional states should discuss and consider use of the federal PPPAA website as a central portal and ensure that documents are published and made accessible to the public. Ensure that data are published in an open data format.
The information system does not make procurement plans and information related to specific procurements available.	High	Require publication of key procurement information, including public procurement, decisions on procurement complaints, and contract award information, and ensure that the information system provides this information.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 7(b)—Use of e-GP		
An e-GP system has not been implemented.	High	Implement an e-GP system. Ensure adequate training of government officials and experts. Initiate dialogue with the regional states to develop a roadmap to implement the system in the regional states after it has been implemented at the federal level.
Sub-indicator 7(c)—Strategies to manage procurement data		
There is no system to support collection, analysis, and use of procurement data. The procurement performance measurement system using key performance indicators has not been implemented successfully and is not reliable. It could provide better results if it were integrated with the e-GP system under development.	High	Integrate the key performance indicator system with the e-GP system, and develop a system to collect, analyze, and report data in real time. Include a data verification and audit mechanism in the development of the data collection, analysis, and reporting system.

Note: e-GP, electronic government procurement.

## Indicator 8. The public procurement system has a strong capacity to develop and improve

This indicator focuses on the strategies and ability of public procurement systems to develop and improve. Three aspects should be considered: whether strategies and programs are in place to develop the capacity of procurement staff and other key actors involved in public procurement, whether procurement is recognized as a profession in the country's public service, and whether systems have been established and are used to evaluate the outcomes of procurement operations and develop strategic plans to continuously improve the public procurement system.

### Findings

#### Strengths

- Capacity building in the public sector is a core part of the GTP II agenda. There have been three permanent training programs in procurement. The PPPAA certifies trainees at three levels: essential, basic, and advanced. The training curriculum is developed based on the competency framework established in accordance with the needs assessment conducted in 2008 and covers the specialized level, which is not yet supported with training modules and not implemented yet. The PPPAA provides training in collaboration with the Civil Service University; 1,167 staff members have been trained in six rounds since 2016.
- The MoF provides PFM training in collaboration with the training institutes, "Institutionalized PFM Training", including a module dedicated to procurement. Project management training—provided at the Ethiopia Management Institute in collaboration with the World Bank—includes training on Bank procurement procedures and generic procurement training. (See also Indicator 10 regarding capacity building provided to small firms.)



- The PPPAA has a dedicated help desk with a full-time staff, and procurement staff value the support. The federal Public Procurement and Property Disposal Service has a similar facility to support use of framework agreements.
- The procurement function is recognized in the civil service structure and is housed in the Procurement Unit; in small agencies, in a procurement team.

## Weaknesses

- The plan was to link the training certification to job requirements, but that has not been accomplished.
- The quality and relevance of the PPPAA training has not been independently assessed, and the program is not yet recognized by the Civil Service Commission. As a result, the certification training has no impact on appointment or promotion of procurement staff. The Civil Service Commission has launched a competency-based training program with a long-term objective of linking job requirements to the competency framework. For procurement positions, job requirements are not aligned with performance evaluations.
- There is a concern that those who are adjusting and updating PPPAA training materials may not be qualified to do so because of capacity shortfalls at the PPPAA. Revisions of training materials might miss major aspects of the system (e.g., the competency framework was modified and needs to be rectified). The Civil Service University should own the training program, with the PPPAA providing quality control, but the university has not taken over the program, so the PPPAA continues to run it.
- The help desk is useful only for simple, routine questions and does not have sufficiently qualified staff to dispense useful guidance on more complex matters. The level of awareness in the private sector of the existence of the help desk is low. Only about 25 percent of respondents to the private sector survey were aware of the help desk; nobody in Afar used it, 50 percent of respondents at the federal level used it, and about 25 percent in the remaining assessed regional states used it.
- There is no comprehensive, integrated strategy for capacity building of the procurement workforce. Although the PFM strategy has a focus on capacity building, it does not sufficiently define the steps that must be taken and is not comprehensive; it captures only ongoing reform activities and does not address all aspects of the system. The PFM strategy has a results framework but has gaps, and it is not clear what the goals are for procurement. Moreover, current staff are not aware of the PFM strategy or that it has a separate procurement component. It does not cover capacity building in key sectors or how to involve the private sector or small firms, and it has not been implemented.
- The Civil Service Commission has a standard for each grade for procurement; procurement positions are defined in terms of years of experience and educational background, and job descriptions are not skill based, are too generic, and are not sufficiently based on a competency framework. In response to requests from the government agencies, the commission assigns grades based on its own standards, so any person can be promoted from any function into procurement.
- The PPPAA has responsibility for monitoring and measuring procurement. However, there is no comprehensive performance monitoring system. There is a KPI system in which procurement data are collected manually in Excel. This system works better in the regional states implementing the Bank-financed Program-for-Results, but it is not systematically integrated or widely used. The KPI system was implemented in 2015, but federal entities did not begin to use it until 2020.
- The system is based on an Excel format and intended to help public bodies collect, analyze, and report procurement data to improve procurement performance. The following nine indicators were



adopted: improvement in procurement cycle time, reduction in number of cancelled bidding processes, increase in use of competitive procurement methods, increase in average number of bids, increase in realism of procurement plans, increase in number of complaints resolved within the standard time, reduction in contract cost overruns, reduction in contract time overruns, and increase in quality of contract deliverables.

- Management of the system is focused on making reports to donors, so data are not used for management purposes. The KPIs address quantitative but not qualitative aspects of the system. The PPPAA has issued reports based on the KPIs to meet the requirements of development partners, but the reports have not been published.

### Key recommendations

- Develop and harmonize job descriptions, qualification requirements, promotion requirements, performance evaluations, and training programs based on an up-to-date competency framework for a professionalized procurement workforce.
- Regarding a training strategy, determine whether the existing feasibility study and action plan are still relevant. If so, implement the action plan. If the feasibility study needs to be updated, develop or update it, and decide on and implement a new action plan.
- Increase the capacity of the PPPAA help desk to enable it to respond to more complex procurement inquiries.
- Establish the CRB as a separate office with its own staff so as not to be intertwined with the multiple operational functions of the PPPAA.
- Develop a comprehensive data capture and performance measurement system integrated with the e-GP system to be introduced.

### Overview of gaps, with risks and recommendations

Note: Red flags have been raised regarding two gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps requires action involving bodies outside the public procurement system, for example the Civil Service Commission.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 8(a)—Training, advice, and assistance		
<b>Federal level</b>		
There is no mechanism to ensure the quality and suitability of the various procurement training programs.	Medium	Update the training strategy document and the roadmap to reflect current developments and lessons and address challenges to establishing an adequately monitored skills-based sustainable training program.
Training programs are not integrated with job requirements and are not considered in placement or promotion. Thus, the attractiveness and sustainability of the trainings programs is highly undermined.	Medium	In the updated strategy, define roles and responsibilities of different players regarding procurement trainings. Have capable institutes whose core business is training provide training while other players,



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		including the PPPAA, play a regulatory role in ensuring the quality of training and management of trainees.
Although participants evaluate the training, training modules are not always updated based on feedback and need.	Medium	Provide routine evaluation and periodic adjustment of training programs based on feedback and need.
The PPPAA help desk does not have the necessary structure or qualified staff to respond to questions on complex matters. The legal framework does not require that support be provided to other key players in procurement, such as in the private sector.	Low	Increase the capacity and improve the organizational structure of the regulatory body help desks to enable them to respond to complex procurement inquiries. Expand the function of the PPPAA to provide advice to all stakeholders, including the private sector.
The PFM strategy document does not comprehensively address the capacity needs of key actors in procurement. Key actors such as the agency and the private sector do not have the capacity to conduct and participate in procurement.	Medium	Update and expand PFM strategies at the federal and regional levels to incorporate a strategy to address capacity challenges of key public procurement stakeholders, including the PPPAA and the private sector.
<b>Regional states</b>		
There are no permanent procurement training programs of suitable quality in the regional states.	Medium	Establish permanent training programs of suitable quality or work with the federal PPPAA to access training programs offered at the federal level.
<b>Sub-indicator 8(b)—Recognition of procurement as a profession</b>		
✓ Procurement function and positions are identified in the civil service structure, but job requirements are generic and not based on competencies (technical and behavioral) or linked to certification requirements.	High	Develop procurement job requirements to include technical and behavioral competencies.
✓ Staff performance evaluations are generic and not tailored to procurement job requirements, are not linked to promotion or training requirements, and are conducted merely to meet human resources requirement.	Medium	Consider developing a performance evaluation system specific to public procurement and linked to incentives and promotion.
<b>Sub-indicator 8(c)—Monitoring performance to improve the system</b>		
The KPI system was developed but not implemented successfully. It is not a comprehensive tool for measuring	High	Enhance the KPI system and integrate it with the procurement system to allow for real-



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
performance in qualitative and quantitative terms.		time, qualitative and quantitative data collection, analysis, and reporting. Develop a comprehensive data capture and performance measurement system integrated with the e-government procurement system to be introduced. Integrate the KPIs into the procurement measurement system. Establish a procurement policy team that uses the data to make procurement policy recommendations.
The PFM strategy is not comprehensive in addressing key procurement challenges and stakeholders.	High	Prepare a comprehensive procurement strategy document with consideration of the input from the MAPS assessment.
The Procurement Administration Directorate in the PPPAA, responsible for monitoring and reporting on procurement performance, has many responsibilities that require close management attention and follow-up. Its structure is not conducive to focus on monitoring procurement performance reporting.	High	Consider adjusting the organizational structure to ensure that an appropriately resourced and managed department can fulfill its responsibility to monitor and report on procurement performance.

Note about abbreviations: KPI, key performance indicator; PFM, public financial management; PPPAA, Public Procurement and Property Administration Agency



### 3.3. Pillar III—Public Procurement Operations and Market Practices

Pillar III covers the operational efficiency, transparency, and effectiveness of the procurement system at the level of the implementing entity responsible for managing individual procurements (procuring entity). It considers the market to be one means of judging the quality and effectiveness of the system in putting procurement procedures into practice. This pillar focuses on how the procurement system in a country operates and performs in practice.

Key information about the procurement process is provided in table 4.

**Table 4. Key Information About the Procurement Process**

		Average time to procure	Invoices paid on time	Contract time overrun from original completion date	Key procurement information published	Procurement plans published
		[days]	[%]	[days]	[%]	[%]
Federal level	ICB	261	31%	229	0%	2%
	NCB	160				
Addis Ababa City Administration	ICB	260	54%	90	0%	0%
	NCB	127				
Afar	ICB	229	76%	371	0%	0%
	NCB	122				
Oromia	ICB	157	57%	140	0%	0%
	NCB	105				
Southern Nations, and Nationalities, and People's Region	ICB	124	57%	88	0%	0%
	NCB	75				

Note about abbreviations: ICB, international competitive bidding; NCB, national competitive bidding.

#### **Main findings**

##### **Access to information and data**

It appears that circulars and similar documents are issued to address issues identified at a time and are not revisited or updated.

There is no central or easily accessible repository of such circulars, letters, or similar advisory documents concerning public procurement or having a direct impact on public procurement system. Given the lack of repository for procurement documents, such circular and similar documents are not known to many public procurement participants, including lawyers. Although the Public Procurement Proclamation, PPD, and regulations are published on the PPPAA website, many circulars are not published. Many manuals and SBDs are not published either. SBDs have not been updated since 2011.

Procurement documents are not accessible to the public in the regional states.

In Afar, because of a backlog, there is often a significant delay in publishing proclamations in an official gazette. The team was not able to find publication of a special temporary proclamation setting rules for procurement for the national event organized in Afar. The procurement was conducted according to the rules set in the temporary proclamation, but it is not clear whether the proclamation was published.

The Agency website is a free-to-access on-line portal, but technical problems prevent it from opening occasionally. There are also gaps in its contents.



There is no consistent mechanism within the federal government to review and opine on circulars, letters, and similar advisory documents concerning public procurement or having a direct impact on the public procurement system, which various ministries and public bodies issue, to ensure their compliance with the existing legal framework.

### **Record keeping**

The legal framework includes a list of procurement records and documents related to transactions, including certain aspects of contract management. The responsibility of public bodies' procurement units is to prepare and maintain procurement records and documents at an operational level. Procurement records and documents are not available for public inspection.

The PPL requires that the procurement department in a public body maintain a complete record for each procurement. It sets out a non-exhaustive list of information to be maintained. The list in the PPL does not specifically refer to contract management information, but the Public Procurement Manual expands on that list and requires that public bodies retain copies of the contract and purchase order and include information on contract management such as delivery and acceptance reports and payment documentation.

Although the PPL clearly outlines the requirements for record keeping, in practice, the documents are not easily available and, in some cases, are not available at all. (The team had to exclude one ministry from the assessment because they could not provide any complete file of a contract procurement.) The procurement records that public bodies must maintain are not exhaustive and leave out important documents, such as copies of bids and signed contracts. In practice, there is a general problem with completeness and accessibility of procurement records.

It is unclear whether procurement records and documents, including concluded contracts, are available for public inspection after contract award. Strict confidentiality provisions in the PPL allow public bodies to withhold significant amounts of information regarding the bidding process and award, even after conclusion of the procurement process

### **Needs and market analysis**

Only a few public bodies conduct needs analyses and market research, which are not used to determine the optimum strategy for procurement. The cost estimate is prepared based on historical data.

### **Procurement plans**

The PPL requires that public bodies prepare an annual procurement plan in accordance with the PPL and a ministerial directive. The annual procurement plan must be approved and then communicated to the agency by a specified date.

The PPD sets out the content of the procurement plan and requires that the head of a public body examine and approve the procurement plan to ensure, among other things, that it is in harmony with the work program of the public body. An action plan for implementation must be provided in support of the procurement plan.

The law does not require that the procurement plan be prepared as the basis for the project and financial planning; it is prepared after the budget had been approved.

Tenders and proposals are rarely solicited without certification of the availability of funds. Given that budget planning is usually not based on procurement planning and often occurs without proper project



preparation, the allocated budget often proves insufficient and must be increased during project implementation.

A new Project Administration and Management Proclamation is in process legislatively that, once adopted and implemented, promises to set up a rigorous process of project preparation and verification.

### **Procurement methods**

The PPL provides a range of procurement methods—competitive and less competitive. The procurement methods and processes are proportional to the value and risks of the underlying project activities. The range of options provides, in theory, for a procurement system in which value for money, fairness, transparency, proportionality, and integrity can be achieved. Contracts shall be awarded through open bidding unless otherwise provided for in the PPL. The PPL defines situations in which alternative procurement methods can be used, with grounds for justification clearly specified.

Direct award (single-source procurement) is permitted only when specified grounds for justification are satisfied. Dividing contracts to avoid open competition is prohibited when the goal is to circumvent competitive rules, but public bodies frequently apply and are usually granted waivers to use direct contracting in situations other than prescribed. The PPL does not state that direct procurement is to be used only exceptionally. The exceptional nature of direct procurement should be made explicit in primary legislation, and it should be specified that lack of planning or dilatory conduct on the part of a public body does not qualify as an emergency.

Procurement methods are applicable based solely on monetary thresholds of contracts (mandated by the PPL) as opposed to market research and planning, including without proper consideration of sector-specific characteristics.

Although the PPL provides a seemingly sufficient range of procurement methods, there are factors that limit their use, resulting in seeking waivers or approval for use of nonstandard procedures. This occurs for example in construction sectors, where contracts are considered large at much higher values than in other sectors and above the threshold defined for open competition in the PPL. For these contracts, the domestic industry is well developed, whereas foreign bidders would still not be interested in participating not only because of the size of the contract, but also because of payment problems due to the difficulty that public bodies have in accessing foreign exchange.

### **Procurement process**

The legal framework requires that procurement opportunities be publicly advertised in at least one national newspaper and that contracts over specified thresholds be advertised on the agency website. When necessary, a public body may also advertise an open bidding on national radio and television. The advertisement may also be posted on the website of the procuring public body. The PPL outlines circumstances under which advertisement is not necessary.

Publication of opportunities must provide sufficient time, consistent with the method, nature, and complexity of the procurement, for potential bidders to obtain documents and respond to the advertisement.

A public body is required to design the timetable for the procurement process taking into consideration matters including the nature of the market, time required for preparation of bid documents, and compliance with the minimum floating bid periods. To create a conducive environment for wide competition, public bodies should allow, as far as possible, sufficient time for bidders to prepare bid documents.



The legal framework requires that candidates satisfy qualification requirements outlined in the bidding documents. A non-exhaustive list of qualification criteria is outlined in the PPL. The principles of non-discrimination, transparency and fairness are stated in the PPL as underlying requirements.

The legal framework establishes the minimum content of the procurement documents and requires that they contain sufficient information to permit suppliers to respond to the requirement. It also requires the use of neutral specifications, cites international norms, and provides for use of functional (performance) specifications as far as possible.

The legal framework requires that the evaluation be objective and relevant. There are clear provisions requiring that criteria, and methodologies and weightings where used, are disclosed in advance in bidding documents. The award decision must be made only based on pre-disclosed criteria.

The use of price and non-price attributes is permitted, and value for money is a consideration in the award of contracts, although it is not entirely clear whether the lifetime cost criteria relate only to property management or also to procurement.

Quality is a major consideration in evaluating requests for proposals for consulting services, and clear procedures and methodologies are defined.

The legal framework requires that information on examination, clarification, and evaluation of bids not be disclosed to participants during the evaluation period.

The legal framework for public procurement envisages two possible approaches to identifying the successful bid: lowest bid price and most advantageous bid. The latter approach in particular accommodates application of evaluation criteria in addition to the bid price (e.g., life cycle costing approach, rated criteria (applied using merit point scoring)). Despite the availability of such modern techniques, there is a tendency to favor the bid with the lowest bid price.

Opening of tenders, immediately after the closing date for bid submission, is a proceeding defined and regulated in the legal framework. Information on time limits and the process must be included in the bidding documents. The legal framework details the process for bid opening and requires that records of the process be maintained, with copies of those records made available to any bidder on request. Security and confidentiality of bids is maintained until after award of contracts.

### **Fairness and equitable treatment of bidders**

Even though the principles of nondiscrimination, transparency, and fairness are underlying requirements, the qualification requirements set at different levels of the legislation cause that existing procedures and requirements do not offer full fairness with respect to participation of bidders. For example, Amendment No. 2 of the PPD, dated December 15, 2016, clarifies, and amends the requirement for annual turnover and experience for “domestic contractors,” all provided under annex 6 of the PPD,<sup>18</sup> which raises the question as to what qualifications are required for foreign bidders. Are they different from those for “domestic contractors”? This approach would be discriminatory, in contravention of the principle of fairness and non-discrimination proclaimed in the PPL. Obligations of foreign bidders in terms of other qualification requirements and evidence, including acceptance of equivalent qualifications and documents, are not expressly provided for.

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<sup>18</sup> Replaced by item 3(c).



The right of bidders and potential bidders to seek clarification is not set out in the PPL. This is an important right for bidders, so at least the principle of the right to seek clarification is advised to be included in clear terms in primary legislation.

### **Rules of participation and eligibility**

The legal framework does not establish rules for participation of SOEs in public procurement.

Grounds for exclusion are mixed with qualifications of bidders (PPL A.28).

The PPL and PPD are not fully aligned in terms of eligibility (qualification) criteria and grounds for disqualification of bidders,<sup>19</sup> with two separate sets of grounds for ineligibility and disqualification.

There are no provisions in the PPL referring specifically to exclusion from participation in a public procurement process on the grounds that a firm or individual has been the subject of a conviction by final judgment for specific offenses.

### **Barriers to participation in procurement**

In the survey, the private sector indicated the following key barriers to participation in public procurement:

- Lack of transparency
- Prohibitive or unclear provisions of or poor-quality bidding documents
- Bureaucracy
- Lack of capacity in public bodies
- Corruption
- Unfair practices
- No access to financing

### **Transparency**

The grounds for rejection of bids, proposals, and quotations are numerous and broadly drafted, providing ample opportunity for public bodies not only to reject bids, but also to abandon procurement processes under appropriate and inappropriate circumstances. Public bodies are required to disclose, but not justify, the reasons for rejection, which lacks transparency. Public bodies shall incur no liability for rejection in accordance with PPL A.30(1), which reduces accountability.

The PPL includes a provision requiring that public bodies not disclose information that would “prejudice legitimate commercial interest of the parties or would inhibit fair competition.” Legitimate commercial interest is not defined in the PPL, and it is not clear how it is applied in practice.

Ethiopia is a signatory to the UNCAC and should fulfill its commitment to transparency through their procurement law.

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<sup>19</sup> See PPL A.28: Qualification of Candidates and PPD A.16.21: Disqualification of Candidates.



## Indicator 9. Public procurement practices achieve stated objectives.

The objective of this indicator is to determine how procurement principles, rules, and procedures formulated in the legal and policy framework are being implemented. It focuses on procurement-related results that in turn influence development outcomes, such as value for money, good service delivery, trust in government, and achievement of horizontal policy objectives.

### *Findings*

#### **Strengths**

- Most of the high spending procuring entities conduct needs analyses and market research for complex procurements.
- The requirements and desired outcomes of contracts are described in the procurement documents. The PEs specify the procurement requirements in specifications (for works, goods, and non-consulting services), terms of reference (for consulting services), and bills of quantities (works), as appropriate.
- The procurement arrangement supports social and economic objectives, which are integrated into the procurement legal framework and SBDs. Article 25 of the Public Procurement Proclamation specifies preference for locally manufactured goods and services and MSEs.
- Public bodies use SBDs that the PPPAA developed. In addition to SBDs for ordinary procurements, they use SBDs for specialized procurements relevant to specific sectors, such as health-related products, textbooks, and framework agreements that the PPPAA also developed. The PPPAA's SBDs include all sections found in typical standard bidding documents, including instructions to bidders, bid data sheets, schedules and templates, and standard and special conditions of contracts.
- Procedures for bid submission, receipt, and opening are clearly described in the SBDs, and the PEs comply with them. The PEs allow bidders or their representatives to attend bid openings. PPD 16.18.1(b) specifies that representatives of mass media and any interested observers can attend the bid opening ceremony, as far as practicable—namely that it does not interfere with the bid opening process and there is enough space.
- The PPPAA's SBD clauses require suppliers and contractors to respect environmental considerations as stipulated in Ethiopian law.
- The general conditions of contract in the PPPAA SBDs provide for inspection and tests of items procured and delivered. The PEs confirmed that they routinely perform inspections.
- The legal framework includes a list of procurement records and documents related to transactions, including certain aspects of contract management. A public body's procurement unit must prepare and maintain procurement records and documents at an operational level. Procurement records and documents are not available for public inspection.
- The PPL requires that the procurement department in a public body maintain a complete record for each procurement. It provides a non-exhaustive list of information to be maintained. The list does not specifically refer to contract management information, but the Public Procurement Manual expands on that list and requires that public bodies retain copies of the contract or purchase order and include



information on contract management, such as delivery and acceptance reports and payment documentation.<sup>20</sup>

### Weaknesses

- There are no established security protocols to protect records to complement Appendix 2 of the Manual which comprises a Guidance Note on Communications and Records Management.
- Although the PPL clearly lists the requirements for record keeping, in practice, the documents are not easily available and in some cases are not available at all.
- Although public bodies in regional states use the federal SBDs, most often for procurement of works contracts, the use of the federal SBDs is not mandatory.
- The procurement records that public bodies must maintain are not exhaustive and leave out important documents, such as copies of the bids and signed contracts. In general, procurement records are not complete or easily accessible.
- KPIs, based on the sample contracts, indicate serious deficiencies with respect to lead time, timely payment of invoices, level of participation by bidders, and contract time overrun.

### Key recommendations

- Improve record keeping.
- Introduce requirements and provide tools and templates to support needs analysis and market research and define optimal procurement strategy based on threshold.
- Consider introducing sustainability evaluation criteria.
- Introduce regular self-monitoring by public bodies to identify and remove bottlenecks that lead to deficiencies in performance.

Overview of gaps, with risks and recommendations:

Note: Red flags have been raised regarding several gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps requires action involving bodies outside the public procurement system, for example the MoF or Central Bank (in the case of need for foreign exchange). Some of these gaps must be addressed by the public bodies who report to the sector ministries that are bodies outside the public procurement system.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 9(a)—Planning		
There is no mechanism or supporting tools to allow procuring entities to conduct a meaningful market assessment that informs selection of the optimal procurement approach.	High	Consider introducing requirements and provide tools and templates to support needs analysis and market research and define an

<sup>20</sup> Financial Administration Proclamation No. 648/2009 includes provisions on payments, including checks to be made before making payments (e.g., see A.33 of that proclamation concerning payments for goods and services).



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		optimal procurement strategy based on threshold.
There are problems caused by the use of discriminatory technical specifications.	Medium	Enhance procurement audits, internal and performed by regulatory bodies, to emphasize the technical specifications and follow up to ensure improvement in preparing the specifications. Expand training on requirements for neutral specifications, functional where appropriate and based on international norms when possible.
✓ There is no legal requirement and practice to use sustainability criteria (environmental, social, economic) to ensure value for money except for the price preference margin allowed for goods and services manufactured locally and participation of micro and small enterprises.	Medium	The preference schemes have been used at the federal and regional levels. Considering the experience in applying preference schemes, conduct a study of using of the sustainability criteria requirements and their impact. This study can be conducted jointly because similar schemes are at the federal and regional levels, and the regional states are looking to the federal government for guidance. Revise the preference schemes based on evidence of their impact.
Sub-indicator 9(b)—Selection and contracting		
Choice of procurement methods is by the value threshold only and is not supported by a need analysis and market research. The thresholds are not always consistent with development of markets in some sectors such as construction.	Medium	Consider updating procurement methods thresholds to reflect the capacity of the local market.
The procurement system does not provide tools to ensure and support confidentiality, which might include requiring evaluators to sign a declaration to maintain confidentiality.	Medium	Consider providing tools and templates to enforce confidentiality.
Contract award information is not published on the agency's website, as required by law.	Medium	Ensure publication of contract awards as required by the law.
✓ Average time required to process procurements is significantly longer than normal bid validity time and international practice.	Medium	Have each public body regularly review procurement processes to identify inefficiencies and bottlenecks and define and



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		implement measures to improve the processes based on this.
✓ PEs do not clearly specify the bid opening date in the invitation for bids, causing uncertainty regarding the date of bid opening.	Medium	Discuss and agree on a mechanism with the press agency on how to specify the opening dates in the invitation for bid.
Many public bodies fail to comply with publication requirements.	Medium	Incorporate monitoring of efficiency and transparency of the processes into the monitoring and reporting function of the regulatory bodies.
Sub-indicator 9(c)—Contract management		
Contracts are not implemented in a timely manner. In some cases, the time overrun is significant. Quality control and inspection are performed in most of contract but found insufficient in about 20 percent of contracts. Sometimes the inspection report is signed a month after the invoice date. Invoices are often paid late. Although contract amendments are normally issued, they are not prepared in a timely manner.	High	Public bodies should regularly analyze contract performance and outcomes, identify reasons for unsatisfactory performance and late payments, and take corrective measures.
✓ Invoices are not paid on time. In some of the PEs, compliance with timely payment is very low. This might be related to limited contract management capacity and follow-up mechanisms that lead to delays in contract completion as observed above and substantial costs to the government.	High	Review the invoice verification process and obstacles to payment to optimize the payment process and limit delays to unavoidable reasons such as shortage of foreign exchange that cannot be mitigated at the time of payment.
✓ The approval process established for high-value contracts and amendments is not clear.	Medium	Clarify the approval process for high-value contracts and amendments above the specified threshold in the PPD.
✓ There are no explicit opportunities for direct involvement of external stakeholders in procurement. Even though engagement of external stakeholders is not prohibited, they are not engaged because no civil society organizations are working in procurement.	High	Encourage and support participation of civil society organizations and their watchdog function, as well as citizen participation in procurement.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
✓ Procurement records are not complete or accessible.	High	Given how widespread a problem record keeping appears to be, special attention should be paid during the next procurement review to review the record keeping arrangements of public bodies and follow up within 3 months in the case of negative findings (not awaiting the next audit). Special attention should be maintained until significant improvement is seen.

## Indicator 10. The public procurement market is fully functional

The objective of this indicator is primarily to assess the market response to public procurement solicitations. Many factors, such as the general economic climate; whether there are policies that support the private sector and a good business environment; strong financial institutions; whether the public system is a good, reliable client; and the kind of goods or services being demanded may influence this response.

### Findings

#### Strengths

- Although private sector capacity varies from sector to sector, firms in sectors with larger public procurement transactions (pharmaceuticals, road construction, education, health, water, and irrigation) have better organization and are more willing and able to participate and compete.
- Although the government has not helped the private sector build capacity to participate in public procurement markets, and the legal framework does not require that the government train the private sector, there have been some capacity-building programs for MSEs.
- The PPPAA has established a help desk facility accessible to the private sector, although it remains underused and faces capacity shortfalls. Another initiative is a collaborative effort with the Chamber of Commerce to disseminate information on, and gather feedback from, the private sector on public procurement. For that purpose, conferences bringing together the public and private sectors and other stakeholders are organized on a regular basis. Other outreach events include question-and-answer sessions.

#### Weaknesses

- The private sector is less well organized and less capable in sectors with smaller procurement transactions. Unsophisticated private sector practices include, for example, submission of bids without having read the bidding documents.
- The local market at the subnational and *woreda* levels is limited and uncompetitive. Public bodies must visit the market in Addis Ababa even for small-value procurements.
- The main challenge in accessing procurement markets is shortage of foreign currency. Other constraints are limited capacity of the private sector (local), skewed specifications, and restrictive bidding (contract) terms.



- The government has not helped the private sector build capacity to participate in public procurement markets, and the legal framework does not require the government to train the private sector. There have been some capacity-building programs for MSEs.
- About 25 percent of respondents to the private sector survey said that they are aware of capacity-building programs that the government runs for private contractors, and about 22 percent are aware of such programs for small and medium-sized enterprises. A similar percentage had participated in a procurement training or information session.
- Although some companies appear to be aware of resources such as the help desk, the PPPAA and Chamber of Commerce conferences, and available training opportunities, awareness of the private sector of the initiatives and events that have been organized to disseminate information about the public procurement system and its activities and transactions seems to be limited. For example, most companies are unaware of the existence of the help desk.
- The perception of most of the private sector is that the government does not consider the opinions of the private sector in changing federal procurement rules. Consultations are largely with regional states and the public sector and are not targeted to the private sector. No respondents to the private sector survey felt that the government consults the private sector before introducing changes to the federal procurement rules and procedures. At the federal level and in Addis Ababa, 3 percent to 6 percent responded that government usually consults the private sector before introducing such changes and about 25 percent that the government consults sometimes. In most cases, about 60 percent of respondents (37 percent in Afar) said that they are rarely or never consulted or were not sure.
- Limited capacity in the public sector also affects participation of the private sector in public procurement. For example, procuring entities do not assess procurement risk centrally or the at sector level. Entities with high procurement spending rarely analyze their market, suppliers, or contractors to devise workable approaches in specific procurements. There is no evidence showing that the assessments informed procurement policy objectives.
- The private sector identified a wide array of barriers to business in bidding for public contracts. Although they are provided in detail in the survey, some were mentioned frequently: corruption and lack of integrity, lack of transparency, prohibitive or restrictive requirements, complexity of bidding procedures. They proposed solutions such as use of technology to minimize human intervention, increase transparency, improve and simplify bidding documents and criteria, build capacity of PEs and public sector to conduct and participate in procurement.

### Key recommendations

- Make capacity-building programs for effective participation in public procurement available to the private sector, in particular MSEs, on a regular and ongoing basis.
- Systematically and effectively publicize capacity-building opportunities in public procurement and informational resources such as the help desk so that there is broad awareness in the private sector. Increase the capacity of the help desk.
- Establish and maintain effective consultative mechanisms for ongoing stakeholder engagement and feedback, including private sector and civil society stakeholders.
- As part of capacity building of the procurement workforce, pay attention to risk assessment, supply chain concepts, and other aspects of private sector participation.



- Identify strategic sectors of the economy and conduct sector risk assessment with a view to developing procurement and sector capacity-building strategies.
- To address limited local market at the subnational and *woreda* levels consolidation of demand and procuring through framework agreements is recommended.

Overview of substantive gaps, with risks and recommendations:

Note: Red flags have been raised regarding two gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps is multifactorial and depends on development of the economy.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 10(a)—Dialogue and partnership between public and private sector		
Although the PPPAA participates in dialogue, it may not reach enough of the private sector. The results of the survey show that an open dialogue with the private sector and the consultative process in adopting change to the procurement framework is limited.	Low	The regulatory bodies should enhance engagement by creating opportunity for involvement of small businesses and ensuring awareness of the forum organized by the PPPAA among all relevant associations to enable them to participate in dialogue with the government.
Although the government has a program to build capacity of MSEs, capacity building for the private sector is limited to workshops and dissemination of information. The Public Procurement Enterprise provides training to the private sector.	Low	The regulatory bodies should monitor capacity and competitiveness of the private sector and act, if necessary, to adjust the availability of procurement training and its quality on the market.
There is no training program for the private sector in the regional states.	Low	The regulatory bodies should monitor the capacity and competitiveness of the private sector and, if necessary, adjust the availability and quality of procurement training.
Sub-indicator 10(b)—Private sector organization and access to the public procurement market		
✓ Major systemic constraints limit private sector access to the public procurement market. The main systemic constraint is shortage of foreign currency, which limits the private sector's ability to bid and honor contractual commitments.	High	The PPPAA should discuss the constraints that the private sector faces with private sector associations and public bodies and take corrective action to increase competition and lower transaction costs.
Participating in bidding opportunities in regional states and <i>woredas</i> is costly to bidders in other locations, such as Addis Ababa.	Medium	Increase access to bidding opportunities for bidders from the developed market (Addis Ababa), such as making bidding documents available electronically or using the coordination office in Addis Ababa.



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
✓ The private sector, particularly small businesses, is not competitive and well organized and lacks capacity to participate competitively in public procurement.	Medium	Consider procurement arrangements that accommodate small business. Resolve problems and bottlenecks that hinder participation of small business in procurement opportunities. See recommendation related to MSEs under sub-indicator 1(d).
Sub-indicator 10(c)—Key sectors and sector strategies		
Risks associated with key sectors are not assessed. The PPPAA's structure includes a directorate that is responsible for conducting research, but no research has been conducted.	Medium	The regulatory bodies should regularly assess risks associated with the key sector identified to ensure collaboration of the sector markets in specific areas to support the procurement policy objectives.

Note: MSE, micro and small enterprise; PPPAA, Public Procurement and Property Administration Agency

### 3.4. Pillar IV—Accountability, Integrity, and Transparency of Public Procurement System

Pillar IV includes four indicators that are considered necessary for a system to operate with integrity, that has appropriate controls that support implementation of the system in accordance with the legal and regulatory framework, and that has appropriate measures in place to address the potential for corruption in the system. It also covers important aspects of the procurement system, which include stakeholders, including civil society, as part of the control system. This pillar takes into consideration aspects of the procurement system and governance environment to ensure they are defined and structured to contribute to integrity and transparency.

#### *Main findings*

##### **Composition of CRB**

As a significant step in developing the procurement system, the complaint review mechanism should independently review bidders' complaints, but the way that the CRB is organized and operates undermines the possibility of independent review. At the federal level, it operates under the auspices of the MoF, itself a major operation player in public procurement, with the Minister of Finance sitting on and chairing the CRB. One seat is designated for a public body and another for an SOE. Moreover, in contradiction to the proclamation, the directive (article 36.a) gives a seat on the CRB to the PPPAA, which the Director General of the PPPAA fills and thus participates in deliberations and decisions on complaints, which may concern matters in which the PPPAA is involved (e.g., approval of the use of a particular procurement method). This limits the autonomy not only of the CRB complaint review process, but also of the PPPAA regulatory functions.

There are no defined qualification requirements for appointment to the CRB. Overall, the composition of the CRB undermines its core mission of providing independent review of complaints.

The CRB is not adequately staffed. The Complaints Handling Directorate of the PPPAA provides secretariat support for the CRB but is not sufficiently staffed and, because of low salary levels, has difficulty attracting



and retaining qualified personnel. Moreover, the PPPAA providing secretariat services to the CRB leads to conflicting roles and problems with separation of functions because the support that the PPPAA provides is not merely logistical, but also includes detailed analyses of and recommendations for decisions on complaints. That secretariat role may be conflicted because complaints may involve actions or decisions in which the PPPAA plays some operational role. The source documents that must be reviewed to decide on a complaint do not necessarily even reach the CRB members, and the PPPAA Chair sitting on the CRB and the PPPAA operating a help desk facility engender other conflicts.

There is no independent complaint review mechanism in the regional states. The BoF handles procurement appeals in Addis Ababa, Afar, and Oromia, which is different from the arrangement at the federal level and in SNNPR, which have established quasi-independent CRBs with representatives from the private sector. The BoF is a major player in procurement on the side of the regional governments, and the authority to decide on procurement appeals undermines the impartiality of the system. In addition, the BoF lacks the organizational structure and capacity to review complaints independently and adequately and provide impartial decisions.

The procurement appeal system is not accessible to bidders at the local level. The procurement appeal system in all regional states is established at the regional level and located in the regional capitals. Thus, aggrieved zonal or *woreda* bidders must travel to the regional capitals to lodge their complaints, following the same procedure and time frame as regional bidders. Physical inaccessibility and cost deter local bidders from lodging complaints with the higher authority.

#### Dialogue and engagement with stakeholders

A number of steps have been taken to promote dialogue between the public and private sectors. There is ongoing collaboration between the PPPAA and the Ethiopian Chamber of Commerce, which features a biannual conference of stakeholders and other events that provide opportunities for feedback and dialogue. The memorandum of understanding that governs the PPPAA's collaboration with the Chamber could be made open ended so that it would not have to be renewed every few years.

Although the Organization of Civil Society Proclamation No. 1113/2019 was issued to facilitate the establishment and operation of CSOs, the Ethiopian procurement system is not positioned to score well on the sub-indicators addressing engagement of civil society in the procurement process—not only because the CSO sector is weak and underdeveloped in public procurement-related fields, but also because lack of disclosure and transparency obstructs CSO engagement, and there is no practice of, or structure for, involving external stakeholders in the procurement process (e.g., as third-party monitors) or in giving feedback (e.g., the PPPAA does not have a free-call number). The proclamation and its directive are silent on civil society engagement.

A notable exception, in practice, is the involvement of university students in checking the quality of some products delivered under procurement that their universities conduct. Another exception is the activity of the CoST Initiative, which has a program of activities related to public procurement aimed at increasing transparency to promote integrity and accountability in construction, which has increased transparency in procurement of construction projects through a redesign of the PPPAA website to publish information on selection of construction projects and related aspects of procurement. Other civil societies, for example, associations of civil engineers, architects, and women, could be engaged in the procurement process.

GTP II requires consultations with the public before changes are made to the system. In practice, the private sector, regional states, and public bodies are consulted but not the public. As a result, there is



insufficient public inclusion, including in development of procurement legislation, although the HPR provides opportunities for public input into legislation.

### **Control and audit**

Finance departments in public bodies provide ex-ante control to ensure regularity of the procurement process. The BEC in each procuring entity provides another layer of ex-ante control at the federal level and the regional states, excluding Addis Ababa City Administration. In some entities where procurement is small, finance, procurement, and property administration functions are consolidated, with teams organized for different purposes; the relevant team provides ex-ante control, but all teams report to the finance director.

In Addis Ababa City Administration, a bidding committee established in each public body with members from different departments conducts bid opening and evaluates bids. These key events in the procurement process are conducted without the involvement and support of the procurement team. There is no BEC.

In Oromia and Addis Ababa City Administration, the regional council is authorized to exclude specific procurements from the public procurement regime. Such procurements are not subject to audit either.

With the support of the MoF, internal audit is established in government entities. To enhance the independence of internal auditors, the MoF recruits and promotes them. Internal audit, according to the Internal Audit Manual, includes compliance and value-for-money audits. Internal audit reports are submitted to management and to the MoF, which follows up.

OFAG's external audit of procurement is included in its regularity and performance audit of government entities, which is conducted annually. Audit reports are published, and the last 10 years of audit reports are available on the OFAG website.

OFAG and the HPR follow up on audit findings and recommendations, including progress in implementation of audit action plans. MoF follows up on internal and external audits. There are challenges in addressing and implementing audit findings, and the HPR is working on a new law to strengthen its role and that of the Auditor General in enforcement.

There are capacity shortfalls in OFAG, as well as in internal audit, that hinder the ability to conduct audits of public procurement. Upon recruitment, auditors are not required to have procurement knowledge, and their educational background is largely in accounting and auditing. Although training is provided to auditors, there is no training focused on public procurement. As a result, auditors are perceived as not understanding the public procurement context.

### **Complaint review procedures**

The legal framework for public procurement establishes a two-tier system for administrative review of complaints from bidders concerning the process of awarding a procurement. The head of the procuring entity conducts the initial review, and the CRB provides a second tier of administrative review. Bidders dissatisfied with a decision of the CRB may pursue remedies through the courts.

Procedural rules in the proclamation, the directive, and the Manual for Complaint Handling govern the CRB process. No fee is charged to submit a complaint to the CRB. Pending a CRB decision on a complaint, the procurement proceedings are suspended. The remedies that the CRB may issue include annulment of illegal decisions of the procuring entity, including contract award decisions. Exclusions from the right to review important procurement decisions mean that significant decisions and problems in implementing



procurement proceedings are not actionable by bidders or candidates (e.g., choice of procurement method).

The private sector's confidence in the complaint review process is diminished in practice to the extent that some entities, instead of correcting the problem when a complaint is upheld, simply cancel the procurement proceedings by misapplying provisions in the proclamation on cancellation of procurement proceedings.

In addition to the problems mentioned above regarding conflicts of roles in the composition of the CRB and non-implementation by some entities of CRB decisions, the MAPS II assessment identified some things that must be addressed to ensure that the right of bidders to obtain review of complaints is meaningful, including the following.

- The CRB must make a decision within 15 days. In some cases, that is insufficient time to conduct the necessary inquiry into and investigation of the subject matter of the complaint.
- The Complaint Review Directorate of the PPPAA does not have sufficient resources to manage the volume of complaints.
- It is unclear how CRB decisions, which are binding, are enforced. This is an important question because there are cases in which the concerned entity ignores and does not implement an adverse CRB ruling. The MoF may enforce decisions by withholding funds, but that is at its discretion because there is no rule in the legal framework for public procurement that refers to such an enforcement tactic.
- CRB decisions are not published, which limits transparency and the potential benefits that CRB decisions could provide in promoting understanding and harmonized application of procurement procedures.

#### **Code of ethics and the anti-corruption framework**

There are provisions on ethics, conduct, and conflict of interest in public procurement in the proclamation and the directive covering not only public officials, but also private sector participants in the public procurement process. The legal framework affirms the accountability of procurement officials for their conduct of the public procurement process.

Ethics and conduct provisions may usefully be further developed. For example, there is no rule on exclusion of bidders who have conflicts of interest. That is particularly relevant in the case of procurement of consultancy services, where it is of utmost importance that conflicting obligations and interests of the consultant do not influence the advice and other types of services that they provide to public purchasers, although there is a provision in the proclamation (article 54.3.c) requiring that bidding documents include a provision that consultants not apply for an assignment with which they may have a conflict of interest

Insufficient regulatory control of SOE activities in procurement also undermine confidence in the public procurement regime. As mentioned above, the prevailing view in government is that procurement by SOEs not using public funds is not subject to the proclamation. Furthermore, there is no restriction in the proclamation on SOEs that receive support from the state when they seek to bid on public procurement contracts. That gives an SOE an unfair advantage when competing against a private sector bidder not receiving such support, thus affecting the quality and fairness of the competition.

The MAPs II assessment identified a number of inconsistencies in existing laws regarding penalties in some cases of corrupt practices. Private sector participants may be sanctioned via a debarment procedure, which provides some due process to the extent that it requires that the subject of a debarment application



be given an opportunity to respond to the application. The debarment sanction may also be applied to sanction nonperformance of procurement contracts.

Anticorruption clauses are included in the SBD (in the instructions to bidders and the general conditions of contract) pursuant to a requirement in the proclamation. The directive requirement to include an antibribery pledge in the SBDs, which includes a pledge to comply with the applicable antifraud and anticorruption legislation to be signed by bidders, has not been implemented. Those clauses are formulated only in terms of corruption and do not refer to other forms of misconduct that should be captured as fraud.

Legislation requiring that public officials periodically submit asset declarations supports principles and rules regarding integrity. The declarations are required to be updated, but the data in the declarations is not published, although it is made available on request.

There is a comprehensive anticorruption framework, implemented by the Federal Ethics and Anti-Corruption Commission (FEAC) (responsible for preventing and fighting corruption through public education and awareness), the Attorney General (responsible for prosecution), and the police (responsible for investigation). There are some mechanisms in place for reporting corruption and a whistleblower and witness protection law. The Anti-Corruption Directorate in the Federal Police Commission investigates corruption in government organizations, SOEs, and nongovernmental organizations. There is no institutionalized or official mechanism for sharing data between relevant agencies.

The FEAC has formed coalitions with various civil society groups and established a platform with the Auditor General, which is for official use (not for the public) by the FEAC, the PPPAA, the Auditor General, and other stakeholders to discuss corruption and exchange related information. Those mechanisms are not procurement specific but geared toward the general objective of creating a society free of corruption, which could have benefits for procurement. There are no strong, credible CSOs that exercise social audit and control. Moreover, the FEAC faces capacity shortfalls in terms of technical competence and budgetary resources. For example, it has a department for training, but it faces budget and technical challenges in providing regular training. As a result, no regular integrity training is provided for the procurement workforce.

Gaps in the capture of relevant information hinder suppression of corrupt practices and other misconduct in public procurement. There is no system for regularly capturing, maintaining, and updating information on conflicts of interest; software for asset registration is not functional; and information exchange among those fighting corruption is fragmentary and ad hoc at best.

## **Indicator 11. Transparency and civil society engagement strengthen integrity in public procurement**

Civil society, in safeguarding against inefficient, ineffective use of public resources, can help make public procurement more competitive and fairer, improving contract performance and securing results. Governments are increasingly empowering the public to understand and monitor public contracting. This indicator assesses two mechanisms through which civil society can participate in the public procurement process: disclosure of information and direct engagement of civil society through participation, monitoring, and oversight.



## Findings

### Strengths

- The new Organization of Civil Society Proclamation No. 1113/2019 was passed to facilitate establishment and operation of CSOs, although the CSO sector remains weak. The decades-long history of restriction and control of CSOs has left a legacy not yet overcome. The new law seeks to change that and create an enabling environment for CSOs. In terms of potential civil society actors that might be engaged, possibilities include associations of civil engineers, architects, and women.
- There is an indication of the positive contribution that broader civil society engagement could achieve. The CoST Initiative conducts a program of activities related to public procurement aimed at increasing transparency to promote integrity and accountability in construction that has resulted in greater transparency in procurement of construction projects through redesign of the PPPAA website to publish information on selection of construction projects and related procurement aspects.
- The PPPAA is conducting some outreach activities aimed at awareness raising and information. It runs a radio program with information for the public, along with the biannual forum with the private sector and other stakeholders. Nevertheless, there is no practice of engaging civil society stakeholders in changes to the procurement system and its legal framework. Those types of processes have traditionally not been open to the general public.

### Weaknesses

- The procurement system is weak in terms of access to information and civil society engagement. Systematic, ongoing compilation and dissemination of data on historical, currently active, and planned procurement activities is lacking, and as noted under Indicator 7(a)(b), there is no central web portal for the procurement system.
- Progress in civil society engagement in public procurement has not been made because the CSO sector has been weak and underdeveloped for a long time, which a lack of disclosure and transparency and the absence of practices and structures for involving external stakeholders in the procurement process (e.g., as third-party monitors) or in giving feedback (e.g., the PPPAA does not have a free-call number) compounds.
- The legal framework for public procurement is silent on civil society engagement, meaning that there is no legal mandate or instruction for civil society to be engaged. Together with a weak CSO sector, this has meant that there are few opportunities to engage CSOs in the procurement system. When opportunities have arisen (e.g., to attend bid openings), CSOs have not taken advantage of them.
- GTP II requires consultations with the public before changes are made to the system. In practice, the private sector, regional states, and public bodies are consulted, but not the public. As a result, there is insufficient public inclusion, including in development of procurement legislation, although the HPR provides opportunities for public input into legislation.
- There is a huge gap in implementing the transparency provisions. There are significant concerns about a number of aspects of the public procurement legal framework and system in terms of transparency (an overarching principle proclaimed in the primary PPLs) and accountability, with a detrimental impact on the overall operation of public procurement. Integrity of public records is also of significant concern. Although the procurement law requires that procurement records be maintained, filing and maintenance of procurement documents is poor.



## Key recommendations

- In conjunction with elaboration of e-GP, systematize the capture and dissemination of data on procurement activities through an online, interactively searchable database that is updated continuously and accessible to the general public.
- The procurement legal framework should mandate establishment and maintenance of mechanisms for meaningful civil society engagement in the procurement cycle and feedback loops on procurement performance.
- Some forms of civil society engagement should be piloted with a view to implementation and replication more broadly.

Overview of gaps, with risks and recommendations:

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 11(a)—Enabling environment for public consultation and monitoring		
✓ The government has only recently adopted a new proclamation that requires that public bodies consult with stakeholders and the public before directives are issued. Therefore, how this requirement operates in practice is not yet known.	Low	The regulatory bodies should ensure that a transparent consultative process is followed when any public body formulates changes to the public procurement system.
Sub-indicator 11(b)—Adequate and timely access to information by the public		
The legal requirement does not provide for publication of key information for effective participation in the procurement process by the public.	High	Add a provision to require that key procurement information be published in an easily accessible manner. Improve the functionality of PPPAA's website.
Sub-indicator 11(c)—Direct engagement of civil society		
Although it does not prohibit participation of CSOs in the procurement process, the legal framework does not explicitly state that it is allowed. The new Organizations of Civil Societies Proclamation No. 1113/2019 is designed to create an enabling environment to enhance the role of civil society organizations in the development. Its effect is yet to be seen.	Medium	Encourage and support participation of civil society organizations and their watchdog function, as well as citizen participation in procurement.

## Indicator 12. The country has effective control and audit systems

The objective of this indicator is to determine the quality, reliability, and timeliness of internal and external controls. The effectiveness of controls must also be reviewed. For the purpose of this indicator, “effectiveness” means the expediency and thoroughness of implementation of auditors’ recommendations. The assessors should rely, in addition to their own findings, on the most recent PEFA assessments and other available analyses.



## Findings

### Strengths

- There is an adequate, comprehensive legal framework for internal audit, external audit, and oversight by legal bodies.
- The basic elements of internal control are present. Finance departments in procuring entities, which must be given documentary evidence of the regularity of procurement processes when clearing payments (and other steps in the procurement process) exercise internal ex-ante control to some extent. Internal audit reports are submitted to management and to the MoF, which follows up. The internal auditors are somewhat autonomous from the host entity in that the MoF recruits and promotes them, and they report to the internal audit department of MoF. There are written standards and procedures in the internal audit manual. Internal audit, according to the manual, includes compliance and value-for-money audits.
- The BEC established in each procuring entity provides another level of internal control. The BEC's role is to approve the award recommendation that the procurement unit forwards for contracts above a threshold value. Although the BEC may be seen as performing a control function, it is also in a decision-making position as part of the contract award decision.
- At the federal level, OFAG, the country's supreme audit institution, conducts external audits. OFAG conducts regularity and performance audits as part of the annual audit of entities and other audits upon request. Audits of an entity focusing solely on procurement, and specialized procurement audits, have generally not been conducted. Audit principles and practices are applied throughout the public procurement space in Ethiopia. In the federal system, similar institutional structures are also in place in the regional states.
- OFAG and the HPR follow up on audit findings and recommendations, including progress in implementation of audit action plans, although there are challenges in addressing and implementing audit findings, and the HPR is working on a new law to strengthen its role and that of the Auditor General in enforcement.
- According to the procurement legislation, the PPPAA also conducts external procurement audits, in accordance with its procurement audit manual. PPPAA audits go to the HPR through the MoF and the Council of Ministers with the MoF report. There is no formal follow-up procedure for PPPAA audits.
- To facilitate access to information concerning audits, there is an audit report management system from which statistics can be extracted on the number of internal audits. Audit reports are made available to the general public
- A standing committee of the HPR, the Public Accounts, Administration, and Control Affairs Committee, provides parliamentary oversight of budget implementation. It receives the reports from OFAG and the budget report that MoF submits.
- There are various financial management manuals and PFM laws and regulations that provide for segregation of duties between the various processes or resource management. Most payments for non-salary expenditures comply with the payment procedure (reported in PEFA PI-25).



## Weaknesses

- Budgetary controls and expenditure commitments are generally effective to the extent of projected fund availability. There are certain instances in which public bodies may not be able to pay committed expenditures to the contractors because funds are unavailable (reported in PEFA PI-25).
- According to the PEFA review, OFAG's follow-up on their audit recommendation is not systematic. The appointment of the heads of Addis City Office of Auditor General (ACOAG) and the Office of the Regional Auditor General (ORAG) does not meet all principles of independence (reported in PEFA PI-30).
- The coverage by ACOAG and ORAG with respect to financial audit represents less than 50 percent and 63 percent, respectively, of total expenditures (reported in PEFA PI-30).
- Lack of capacity of auditors is a significant challenge. For example, average examination grades of less than 50 percent indicate the low technical capacity of internal auditors. Capacity building of internal auditors has taken place but has not been sufficient to raise capacity levels.
- Auditors do not have sufficient knowledge of procurement to conduct effective procurement audits; they are not required to have specific procurement knowledge to conduct procurement audits. Audit reports may therefore not be professional enough for procurement. Although training is provided to auditors, there has not been training focused on public procurement. As a result, auditors are perceived as not understanding the public procurement context. Instances of unnecessary detention of officials for what were probably innocent, minor technical transgressions, if any at all, has exacerbated that perception. Perhaps it is not totally unrelated that, although there are some follow-up procedures, non-implementation of audit recommendations and action plans seem to persist.
- Such events highlight the importance of ensuring that, as a public procurement system professionalizes and matures from being solely compliance and lowest price based to focus also on performance, value for money, and sustainable development outcomes, the public sector audit function in the country must evolve correspondingly. This means that audit moves from adhering strictly to rules and obtaining the lowest price to integrating a value-for-money or performance dimension into procurement audits.
- The autonomy of the ex-ante control that the BEC provides is subject to some risk because the head of the finance department—which performs ex-ante control—in an entity could be appointed to the BEC of that entity, blurring the separation-of-function principle. The separation of various functions seems to be blurred to the extent that BEC is considered to be providing a control function and making the final contract award.
- The regulatory bodies are responsible for auditing and monitoring. Whereas auditing would normally feed into a monitoring function, the latter encompasses a much broader need for system measurement and analysis. PPPAA's audit manual requires that INTOSAI auditing standards be followed for procurement audits that public bodies perform. It also says that PPPAA may consider forwarding their audit reports to OFAG or ORAG for information. OFAG and ORAG are independent bodies and audit all public bodies every year using the INTOSAI auditing standards. Their regularity audit includes procurement. In addition to duplicating functions, this creates uncertainty in the precedence of the audit reports and follow-up actions by the public bodies.



## Key recommendations

- Ensure separation of internal control functions to ensure that operational functions are combined with control functions in the same official.
- Ensure procurement-focused capacity building for public sector auditors to enable effective procurement audits, including performance and value-for-money audits, of procuring entities and systems.
- Several steps must be taken to strengthen the external and internal audit functions. In terms of reporting lines, internal audit would be strengthened by providing direct submission of internal audit reports to the HPR. PPPAA audits go to the HPR through the MoF and the Council of Ministers with the MoF's report rather than being directly submitted to the HPR.
- Streamline report procedures to ensure direct submission of PPPAA audit reports to the HPR.
- Provide clear division of responsibilities between institutions (regulatory bodies, OFAG, ORAG) to ensure that they operate within their authorized mandate to avoid overlap or duplication and ensure efficiency and complementarity in the conduct of such functions. In the long term, the regulatory bodies may prioritize the monitoring function, which will also require new approaches, capacity, and possibly tailored software to allow data to be collected and analyzed and system reports to be produced. This type of procurement review should be differentiated from the audits that OFAG and ORAG conduct and should be coordinated with OFAG or ORAG for consistency.
- Establish a formal follow-up procedure for procurement audits.

Overview of substantive gaps, with risks and recommendations:

Note: Red flags have been raised regarding two gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. Addressing these gaps requires action involving bodies outside the public procurement system, such as the Supreme Audit Institution.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 12(a)—Legal framework, organization, and procedures of the control system		
The procurement regulatory bodies do not have the structure, capacity, or enforcement mechanisms necessary to conduct meaningful procurement audits.	Medium	Build and maintain adequate auditing, review, and monitoring capacity and reporting structure in the regulatory bodies within their clearly established mandates. Also see the below recommendation.
✓ The regulatory bodies are given the functions of auditing and monitoring. Although auditing would normally feed into a monitoring function, the latter encompasses a much broader need for system measurement and analysis. The PPPAA's audit manual requires that INTOSAI auditing standards be followed for procurement audits that public bodies perform. It also says that the PPPAA may	Medium	Provide a clear division of responsibilities between the regulatory bodies, OFAG, and ORAG to avoid duplication and ensure efficiency and complementarity in the conduct of audit functions. In the long term, the regulatory bodies may prioritize the monitoring function, which will also require new approaches, greater capacity, and possibly tailored software to allow for data to be collected and analyzed and system



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
consider forwarding their audit reports to the OFAG or ORAG, which are independent bodies that audit all public bodies every year using the INTOSAI auditing standards. Their regularity audit includes procurement. In addition to duplication of functions, this creates uncertainty in the precedence of the audit reports and follow-up actions by the public bodies.		reports to be produced. This type of procurement review should be differentiated from the audits that OFAG and ORAG conduct and should be coordinated with OFAG or ORAG for consistency.
Neither the reviews that the regulatory bodies nor the OFAG and ORAG audits are addressed in a timely manner.	Medium	Ensure that the public bodies enforce actions and address reviews and audit findings with support from management.
✓ There is no requirement to submit a procurement audit report to a higher organ within the government that has supervisory authority over all the procuring entities at the federal level. As a result, there is no clarity of its impact in enhancing accountability within the procurement system.	Medium	Ensure that the public bodies enforce actions and address audit findings .
Sub-indicator 12(c)— Enforcement and follow-up on findings and recommendations		
✓ Audit recommendations are not implemented in a timely manner.	Medium	Ensure that the public bodies enforce actions and address audit findings by.
Sub-indicator 12(d)—Qualification and training to conduct procurement audits		
There is no effective training program for internal and external auditors on procurement audit. The PPPAA has not developed the courses listed in its own manual and has not provided training to its auditors.	Medium	Ensure effective training of auditors in procurement.
✓ Procurement experience and knowledge are not requirements in selecting auditors. Even auditors in procurement regulatory bodies who are fully engaged in auditing procurement contracts and processes are not required to have procurement knowledge. Most auditors join the regulatory bodies directly from university, with no work experience in procurement.	Medium	Revise the job specification to require procurement knowledge and introduce a competitive scheme to attract qualified, experienced staff.

Note: OFAG, Office of the Federal Auditor General; ORAG, Office of the Regional Auditor General; PPPAA, Public Procurement and Property Administration Agency



Additional recommendations for improvement:

- Because the functions of the agency are (rightly) quite broad, ensure that priorities and capacities are properly targeted. For example, the agency is given the functions of auditing (section 15(9)) and monitoring (section 15(2)). Although auditing would normally feed into a monitoring function, the monitoring function encompasses a much broader need for system measurement and analysis.
- No other authority has the mandate or capacity to monitor the procurement system, but other authorities with more staff, greater capacity, and more knowledge of auditing in general are responsible for auditing. They may not have sufficient capacity in terms of procurement auditing, but that can be learned or provided.
- Building and maintaining auditing capacity within the agency sufficient to provide more than superficial audit reports (of a limited number of entities and contracts) absorbs substantial resources and leads to some duplication.
- Consider review and clear division of responsibilities between institutions to achieve the greatest efficiency and avoid overlap.
- PPPAA priority may give preference to the monitoring function, which will also require new approaches, greater capacity, and possibly tailored software to allow data to be collected and analyzed and system reports to be produced.

### **Indicator 13. Procurement appeals mechanisms are effective and efficient**

Pillar I covers aspects of the appeals mechanism as it pertains to the legal framework, including creation and coverage. This indicator further assesses the appeals mechanisms for a range of specific issues regarding efficiency in contributing to the compliance environment and the integrity of the public procurement system.

#### ***Findings***

#### **Strengths**

##### **Federal level**

- The basic framework and Complaint Handling Manual are satisfactory, with complaints reviewed and decided based on evidence.
- The legal framework for public procurement establishes a two-tier system for review of complaints from bidders regarding the process of awarding procurements. The proclamation establishes deadlines and time periods for various steps in the review process. The head of the concerned procuring entity conducts the initial review, and the CRB provides a second tier of administrative review. Once a timely complaint has been received, the procuring entity may not award the contract until the complaint has been decided. There is a standstill period after an adverse decision by the head of the procuring entity on a complaint to preserve the opportunity for the complainant to appeal to the CRB.
- The representative of the Chamber of Commerce has a voting seat on the CRB, but the private sector has only that one vote, so it does not dominate. Procedural rules in the proclamation, the directive, and the Manual for Complaint Handling govern the CRB process. No fee is charged to submit a complaint to the CRB.



- Pending a CRB decision on a complaint, procurement proceedings are suspended. The procuring entity is required to suspend procurement proceedings immediately after it is notified that a complaint has been submitted to the CRB. The procuring entity must not proceed with the procurement activity until the CRB reaches a decision.
- The law requires that decisions be rendered on the basis of available evidence that the parties submit, which may include an oral hearing. There is no evidence to suggest that this is not done in practice, although private sector perceptions are that it is not. Although there might not be a specific statement that the decisions of the CRB are binding, the provisions in the proclamation clearly empower the CRB to issue decisions and remedies that can annul actions and decisions of a procuring entity (except a final contract award decision) and prohibit conduct raised in a complaint that violates the applicable legal framework.
- The PPPAA provides secretariat services for the CRB through its Complaint Review Directorate, which is composed of law professionals. The proclamation requires that the PPPAA provide office facilities and technical support for the CRB. According to the Complaints Handling Manual, the secretariat services that the directorate provides is more than merely logistical support and includes analysis and presentation of complaints to the board in the form of summaries, solicitation of responses from the concerned public bodies and presentation of responses to the board, and analysis of complete cases and presentation of its expert opinion to the board.
- The PPPAA provides follow-up on implementation of CRB decisions. Procuring entities are required to report to the PPPAA in its role as secretariat to the CRB on what has been done to implement CRB decisions. Also, although this is not provided by law, the MoF may withhold funds in cases of non-implementation of CRB decisions, in particular because the Minister of Finance chairs the CRB.

## Weaknesses

### Federal level

- The proclamation sets forth a number of exclusions from the ambit of the complaint review procedures. Such exclusions (those concerning procurement rather than property management), which appeared in the 1994 version of the UNCITRAL model law but have not been retained in the 2011 version, concern certain decisions of the procuring entity (choice of procurement method; rejection of all bids pursuant to article 30, which is too sweeping an exclusion) that, if improper, could harm procurement processes and outcomes and the interests of bidders. They should therefore be subject to challenge.
- On their face, the basic framework and Complaint Handling Manual are satisfactory, with complaints reviewed and decided based on evidence, but perceptions of actual performance of the system do not match that picture.
- In some entities, the head may delegate review of complaints submitted to the entity to the procurement unit or team, who are the likely subjects of the complaint.
- It seems that the CRB basically relies on the secretariat write-up, rather than itself reviewing everything. This exacerbates the conflict of multiple PPPAA roles that compromises the autonomy and integrity of the complaint review process. Combined with the participation of the PPPAA in the CRB and involvement of the PPPAA in issuance of waivers from the required procurement procedures (e.g., as to choice of procurement method), the PPPAA providing not only logistical but also substantive secretariat services compromises the autonomy of the complaint review function by blurring the separation of functions.



- The PPPAA presumably includes CRB costs in PPPAA budget requests, yet it appears that the secretariat services for the CRB may be understaffed, which hampers the ability to process the CRB workload in a timely manner.
- The complaint review process defined pursuant to the proclamation is not complete, although there are certain rudiments. In particular, an opportunity for the complainant to comment on the response of the concerned procuring entity and to request production of relevant information and documents by the procuring entity should be added.
- The proclamation requires that the CRB render a decision on an appeal within 15 days. In many cases, that is insufficient time to conduct the needed inquiry and investigation of the subject matter of the complaint. Most complaints are not resolved within that timeframe. Some take months to be decided.
- The CRB is given 5 days to notify the complainant of the decision. In the digital age, that is unnecessarily long. The complainant should be notified promptly once the CRB makes a decision on a complaint, rather than having to wait as long as 5 days. Although texts of CRB decisions may be obtained upon request, there is no practice of publishing decisions of the CRB, which reinforces the perception of the private sector that the complaint review process is not transparent and trustworthy.
- A common practice is for a procuring entity that has lost a complaint review proceeding to exercise the option it is given of cancelling the procurement proceedings. Although the applicable provisions give the CRB power to issue binding decisions, there are instances of non-implementation of CRB decisions, which reinforces the perception of lack of competence, consistency, and integrity in the complaint review process.
- There is no transparency as to how CRB members are selected, no qualification requirements, and no assurance that they are qualified. The majority perception is that the CRB process diverges from the requirements in the proclamation. Lack of timeliness in issuance of decisions is another source of dissatisfaction with the CRB process, and 80 percent of private sector respondents to a perception survey felt the CRB complaint review process was not trustworthy or consistent. There is a high rate of dissatisfaction in the private sector with the complaint review procedure.

### Regional level

- There is no independent complaint review mechanism in the regional states. The BoF handles procurement appeals in Addis Ababa, Afar, and Oromia, which is different from the arrangement at the federal level and in SNNPR, which have established quasi-independent CRBs with representatives from the private sector. The BoF is a major player in procurement on the side of the regional government, and the authority to decide on procurement appeal undermines the impartiality of the system. In addition, the BoF lacks the organizational structure and capacity to conduct independent and adequate reviews of complaints and provide suitable decisions.
- The procurement appeal system in all regional states is established at the regional level and located in the regional capital and is not accessible to bidders at the local level. Thus, aggrieved bidders located at the zonal or *woreda* level must travel to the regional capitals to lodge their complaints, following the same procedure and time frame as the other bidders at the regional level. The physical inaccessibility and the cost deter local bidders from lodging complaints at the higher authority.
- About half of the respondents to the private sector survey decided to appeal decisions of procuring entities. Almost none were satisfied with the response, and most thought that the system was not trustworthy or fair. About half of respondents said that the response was provided in a timely manner (36 percent to 39 percent in Addis Ababa and at the federal level).



## Key recommendations

- Establish qualification requirements, professional standards, and transparency procedures for appointment to the CRB.
- To promote separation of functions, reduce the involvement of the PPPAA in the CRB to, at most, providing secretariat services. The PPPAA should not sit on the CRB.
- Properly resource and staff secretariat services for the CRB, in terms of numbers and professional competence, to enable timeliness in the CRB process. If the PPPAA continues to exercise operational functions such as granting of waivers and to sit on the board, it should no longer provide secretariat services to the CRB.
- Give a more realistic amount of time, longer than 15 days, to the CRB to decide on complaints, and elaborate the complaint review procedure to ensure adequate opportunity for the parties to present their positions.
- Modify applicable procedures and provisions to require that, upon reaching a decision on a complaint, the CRB promptly notifies the complainant of the decision.
- Require that decisions on complaints be published on the web portal of the procurement system.
- Use avenues in administrative law and other mechanisms to address non-implementation of CRB decisions.

Overview of gaps, with risks and recommendations:

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 13(a)—Process for challenges and appeals		
There is no specific provision in the Public Procurement Law that can be cited to enforce the decisions of the CRB and BoF.	Medium	Define the mechanism to enforce the decision of the CRB and BoF in the legal documents.
Sub-indicator 13(b)—Independence and capacity of the appeals body		
The CRB is not adequately resourced and staffed. Except for the secretariat service that the agency provides, which is considered to be a conflicting role on the side of the agency, the CRB has no dedicated resources or staff to meet its responsibilities. Coupled with the perception that the CRB is not independent, the capacity limitation has affected its credibility in addressing complaints of the private sector.	Medium	Consider reestablishing the CRB with a structure that avoids conflicts of interest and with adequate resources to meet its responsibilities in a timely manner.
The BoFs in Oromia and Addis Ababa are also review bodies, which creates the potential for conflict with their other advisory, regulatory, and monitoring roles in relation to procurement and	Medium	Establish a separate review body, ideally supported by its own secretariat, or share services of one appeal body with the federal government



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
undermines bidders' confidence in the review mechanism		
The appeal system in regional states (except Addis Ababa) is not easily accessible to bidders from <i>woredas</i> or zones	Medium	Create an appeal system at the zonal and <i>woreda</i> level through delegation. Consider implementing the appeal system suggested in the model pool directive that the MoF issued.
Sub-indicator 13(c)—Decisions of the appeals body		
The close links between the agency and the CRB create the potential for conflict with other advisory, regulatory, and monitoring roles of the agency in relation to procurement and contracts.	Medium	The review body should be supported by its own secretariat, independent of the agency and other public bodies.

Note: BoF, Bureau of Finance; CRB, Complaint Review Board.

## Indicator 14. The country has ethics and anti-corruption measures in place

This indicator assesses the nature and scope of anticorruption provisions in the procurement system and how they are implemented and managed in practice. It also assesses whether the system reinforces openness and balances the interests of stakeholders and whether the private sector and civil society support creation of a public procurement market known for its integrity.

### Findings

#### Strengths

- Basic terms (e.g., corrupt practice) and principles are defined in the Public Procurement Manual, although it is a lower-level instrument. The proclamation and the directive establish the responsibility and accountability of government employees for observing rules of ethics; offenses and penalties for public officials; responsibilities of private firms, which must sign antibribery and compliance with antifraud and corruption law pledges, although the practice of signing the antibribery form has not commenced. The SBDs, including the General Conditions of Contract, contain anticorruption and related clauses.
- The proclamation (article 32) provides the rules of ethics in public procurement and property administration. Some of those provisions are addressed to bidders, suppliers, contractors, and service providers. Public officials must declare their financial assets. The proclamation provides that procurement and property administration staff or heads of procurement and property administration units and members of the procurement endorsing committee in public bodies are accountable for their actions in accordance with the proclamation and the directives that the minister issues.
- A debarment procedure is in place, with an opportunity for concerned bidders to respond to the application for debarment. Along with other key functions, the PPPAA renders the debarment decision.
- A comprehensive anti-corruption framework is in place, the main responsible parties being the FEAC (preventing and fighting corruption through public awareness and education), the Attorney General (prosecution), and the police (investigation). The FEAC compiles data on anticorruption prosecutions



at the federal and regional levels and publishes them annually, although statistics on corruption-related legal proceedings and convictions related to procurement are not compiled and presented as such in these reports.

- The FEAC has formed 14 coalitions at the national level with different groups and interested parties, including youth, women, religious groups, teachers, and students. The FEAC also established a joint platform with the federal Auditor General to address corruption based on audit findings and recommendations. There is a plan to hire a consultant and prepare a national anticorruption policy.
- The Federal Police Commission established a mechanism through which corruption and other prohibited practices can be reported through telephone, email, or physical reporting. The allegations can be reported anonymously.
- A proclamation to provide protection to witnesses and whistle blowers of criminal offenses No. (699/2010) defines different types of protection measures that can be granted.
- The new Organization of Civil Society Proclamation No. 1113/2019 has been enacted to facilitate and enable establishment and operation of CSOs in Ethiopia. The CSO sector is overcoming a decades-long legacy of restriction and control and remains limited. An example of what a vibrant CSO community could deliver is the work of the CoST Initiative, which is the only active CSO working on the transparency aspects of procurement related to construction contracts to increase the integrity and accountability in the system. The PPPAA redesigned its website for the purpose of publishing project information on selected construction projects and the procurement aspects of these projects with support from the CoST Initiative.

#### Weaknesses

- Statistics on corruption-related legal proceedings and convictions related to procurement are not compiled and not available in the reports of the FEAC.
- The proclamation requires that public officials report allegations of corruption, but the formulation of that provision seems to refer narrowly to corrupt practices and not to other forms of misconduct. There is a small discrepancy between the proclamation and the directive regarding to whom to report corruption allegations. The proclamation requires reporting allegations to “law enforcement authorities,” whereas the directive refers to reporting to “relevant authorities.”
- Neither the proclamation nor the directive specifies that failure to comply with the ethics requirements will result in administrative or criminal punishment
- No special mechanisms are in place for detecting and preventing corruption in procurement. Information on beneficial ownership, conflict of interest, and asset disclosure are not available or not systematically captured, maintained, or used for decision making.
- The capacity of the FEAC is low. It lacks the technical competence and budget to fulfill its responsibilities. Although it has a training department, and there are ethics officers in the procuring entities with which it can coordinate training, there is no regular training program related to ethics.
- Although the environment is relatively conducive to the operation of CSOs, the CSO sector is weak, and there is no mechanism for involvement of CSOs in public procurement. As a result, there are no practices in which CSOs play a meaningful role (e.g., as a third-party actor in monitoring procurement implementation).



- More than 93 percent of respondents to the private sector survey said that they are not aware of any CSO actively providing oversight and social control in public procurement, and more than 60 percent of respondents think that involvement of CSOs in overseeing procurement contracts could be beneficial.
- As explained earlier, there appears to be no alignment between the public procurement legal framework, anti-corruption law, and criminal law with regard to fraud and corruption. For example, corruption-related offenses covered in three different pieces of legislations and the corresponding criminal and civil punishments are not consistent, raising questions on enforceability, consistency of application, and clarity of roles in dealing with fraud and corruption.
- The way the PPL is drafted regarding offenses in procurement is imprecise and unclear and can easily be abused. For example, article 77(1)(c) of the PPL refers to an offense by a person who “contravenes or intentionally permits any contravention of this proclamation.” Although permitting indicates intentional action, contravening does not, and a genuine error may be interpreted as a criminal offense.
- The PPL includes some gift-related provisions whose interaction with each other is not clear. For example, article 32(1)(d) prohibits “personnel engaged in public procurement or property administration . . . in the discharge of their duties” from receiving “any gift or offer of an employment opportunity or anything of monetary value or service.” Article 77(3)(a) is another gift-related provision that imposes penalties on any “person appointed to or employed by a public body in performing the provisions of this proclamation who . . . directly or indirectly asks for or receives in connection with any of his duties, a payment or gift, whether pecuniary or otherwise, or promise or security for that payment or reward.” Duplicative and inconsistent provisions like these create confusion and can be perceived as arbitrary.
- More than 60 percent (50 percent in Afar) of respondents indicated that they believe that companies are expected to give a gift to secure a contract in the public sector.
- The penalizing provisions appear to mix administrative and criminal offenses. Although misconduct by public officials (e.g., defrauding the government, taking bribes) in the context of the procurement process should be subject to criminal investigation and conviction, with the judiciary determining criminal punishment, the administrative system should address administrative errors in line with administrative procedures.
- Proportionality of penalties to offenses is another problem. The penalties in numerous cases appear very harsh—for example, a term of a minimum of 10 years of rigorous imprisonment for receiving any payment for performance of an official duty (except as provided by the law).
- Such lack of clarity, allowing discretion of decisions, and disproportionate penalties in nature and severity that may be coupled with the divergence of an auditor’s professional judgment from the judgment of the staff whose decisions are audited, significantly affects procurement performance. It creates “fear of discretion,”<sup>21</sup> which leads to relinquishing professional judgment that might benefit the government with better value for money and leads to performance wherein compliance<sup>22</sup> prevails over outcomes.

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<sup>21</sup> Term coined by Steven Kelman in early 1990s (USA).

<sup>22</sup> For example, procuring very small value contracts through open bidding instead of using a simple, efficient method appropriate for such procurement because an auditor might question it.



- Fighting fraud and corruption, which is a cancer for the economy, must be adequately structured and designed, allowing the healthy part of the system to grow and deliver expected outcomes with value for money. More than 80 percent of respondents to the private sector survey believe that the government's anticorruption measures are not effective. In their opinion, the most effective measures to reduce corruption in public procurement are use of e-GP, strong enforcement systems, dedicated channels to report misconduct, and watchdog organizations.

### Key recommendations

- Clarify that violations of obligations of public officials under the proclamation and the directive may, depending upon the circumstances, result in administrative sanctions apart from other possible consequences under the applicable law.
- Include the antibribery pledge form referred to in the directive in the SBDs.
- Collect and analyze information on beneficial ownership and conflicts of interest.
- Establish mechanisms and feedback loops to institutionalize civil society engagement in the public procurement system.
- Provide a sustained capacity-building program for FEAC staff and implement the FEAC ethics training program for public bodies.

Overview of gaps, with risks and recommendations:

Note: Red flags have been raised regarding two gaps identified under this indicator. These gaps are likely to impede the main goals of public procurement but lie outside the sphere of public procurement. These gaps require alignment of laws that would require major engagement of the entire legislative branch. This activity is not within the ability and powers of the public procurement system. Collecting and publishing statistics on corruption-related legal proceedings and convictions related to procurement, implementing measures to detect and prevent corruption associated with procurement, and establishing a mechanism to report fraud and corruption require coordination and joint efforts of the institutions from within and outside the public procurement system (e.g., Attorney General, FEAC, police). Actions regarding the private sector are not within the authority of the public procurement system.

Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
Sub-indicator 14(a)—Legal definition of prohibited practices; conflicts of interest; and associated responsibilities, accountabilities, and penalties		
✓ There appears to be no alignment between the public procurement legal framework, anticorruption law, and criminal law, which define fraud and corruption in different ways and set corresponding criminal and civil punishments inconsistently.	High	Ensure consistency of public procurement legislation and other laws.
Sub-indicator 14(b)—Provisions on prohibited practices in procurement documents		
The federal SBDs have provisions on prohibited practices but use of the federal	Medium	Consider preparing comprehensive national SBDs with adequate provisions on prohibited



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
SBDs in the regional states is not mandatory and not applicable in all categories of procurement.		practices and monitor their use in all regional states and for all categories of procurement
Sub-indicator 14(c)—Effective sanctions and enforcement systems		
✓ The reporting structure on fraud, corruption, and other illegal practices has not been clearly established or communicated to all parties, including staff in procuring entities. The language in the directive, the proclamation, and other documents, including the SBDs, must be consistent and comprehensive to avoid misconception or misinterpretation.	High	Ensure clarity and consistency within the public procurement legal framework and with other laws. Establish a clear reporting structure on malpractice and ensure clarity and consistency within the public procurement legal framework and with other laws. Provide training and guidance to staff on how to report cases of corruption and other malpractice anonymously.
The reporting structure on fraud and corruption and other illegal practices is not clearly established or communicated to all parties, including staff in procuring entities.	Medium	Ensure clarity and consistency within the public procurement legal framework and with other laws. Establish a working relationship between the relevant agencies, in particular the PPPAA, Federal Ethics and Anti-Corruption Commission, Office of the Federal Auditor General, Attorney General, and Police Commission, and clarify and make consistent the legal framework for reporting corruption.
✓ There is no evidence that the laws on fraud, corruption, and other prohibited practices are being enforced.	High	Ensure availability of and access to evidence that the laws on fraud, corruption, and other prohibited practices are being enforced.
Sub-indicator 14(d)—Anticorruption framework and integrity training✓		
✓ Although Ethiopia has a comprehensive anticorruption framework to prevent, detect, and penalize corruption in government that involves the agencies with the appropriate level of responsibility and capacity to fulfill its responsibilities, the legal framework lacks transparency.	Medium	Review factors that help prevent corruption and improve them in the legal framework and in practice. Improve reporting to ensure availability of data on specific categories of offenses.
✓ Statistics on corruption-related legal proceedings and convictions related to procurement are not compiled, and reports are not published regularly.	High	Ensure that statistics on corruption-related legal proceedings and other information are compiled and published and that information related to procurement is accessible.
✓ No special measures are in place to detect or prevent corruption associated with procurement.	Medium	Develop an integrated anticorruption strategy and use modern technologies to detect corruption, some of which can be



Substantive Gap / ✓ (Red Flag)	Risk	Recommendation
		embedded in the e-government procurement system.
Sub-indicator 14(e)—Stakeholder support to strengthen integrity in procurement		
✓ There is no evidence that suppliers and business associations in general have internal compliance measures to support integrity and ethical behavior in public procurement.	Medium	The PPPAA should work with business associations to ensure that private firms adopt internal compliance measures to support integrity and ethical behavior in public procurement.
Sub-indicator 14(g)—Codes of conduct/codes of ethics and financial disclosure rule		
Neither the procurement proclamation nor the procurement directive specifies that failure to comply with the ethics code will result in administrative or criminal punishment. There is no professional procurement association that monitors the integrity of people involved in procurement.	Medium	The legal framework should include provisions on enforcement of the procurement code of ethics. The agency should work with the relevant bodies to establish professional procurement associations or other mechanisms to enhance integrity in procurement. The Professional Association with support from PPPAA shall certify, register and monitor procurement professionals to uphold professionalism and integrity in the public procurement system.
There is no established procedure or practice to capture information on beneficial ownership. Similarly, there is no established procedure to report, address, and capture information on conflict of interest. The lack of capacity to rollout the software designed to capture, update, and analyze information on asset register has limited the ability to fight corruption in public procurement.	Medium	Ensure that conflict of interest statements, financial disclosure forms, and information on beneficial ownership are systematically filed and accessible and that decision makers use them to prevent corruption risks throughout the public procurement cycle.
✓ There is no regular training program related to the code of ethics, and the commissions at the federal and regional level mention budget and technical as constraints in providing regular trainings.	Low	Provide regular training on the code of ethics as part of the public financial management training program or in a standalone program

Note: PPPAA, Public Procurement and Property Administration Agency; SBD, standard bidding document.



## 4. Consolidated Recommendations

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Given that the current proclamation is undergoing a major revision as opposed to being amended to address single identified problems, the government may consider the general structure of the draft law and to what extent it should follow a principle—as opposed to a rule-based approach—or should be a mix of both. It also provides an opportunity to comprehensively address the findings of the assessment.

The below consolidated key recommendations, unless indicated otherwise, pertain to the assessed procurement systems at the federal and regional levels.

### Pillar I: Legal, Regulatory, and Policy Framework

- ***Align provisions of the documents within the public procurement legal and regulatory framework and with other laws:*** Although the legal and regulatory public procurement framework is generally adequate, there are multiple instances of overlapping and inconsistent or contradictory provisions between the different levels of the procurement legislation and with other laws. For clarity, legal certainty, and consistency, eliminate overlaps, repetitions, internal contradictions within the public procurement legal framework, and inconsistencies with other legislation. Ensure consistency of all levels of legislation with the requirement of the PPL that public procurement comply with the principle of nondiscrimination and remove provisions that differentiate the qualification criteria depending on the bidder's nationality. To ensure consistency of with the public procurement framework, introduce a screening mechanism for all circulars, letters, and similar advisory documents from all sources.
- ***Design specific procurement policy for SOEs.*** The legal framework does not establish rules for participation of SOEs in public procurement. Make the PPL clear as to whether and to what extent SOEs are subject to the procurement law, with consideration of their role in delivery of public services and use of public funds to ensure that the SOE procurement policy provides transparency and value for money. To underpin such a policy, the PPPAA should undertake a study to determine categories of SOEs in the context of government interest in them, their governance structure, use of public funds, and provision of services to the public; identify the need for and objective of regulating their procurement; and assess options and what impact they are likely to have on the defined objectives. The government has undertaken and is committed to reform SOEs, including privatization. The study and design of the procurement policy for SOEs should be coordinated with the reforms. The proclamations should also include provisions on rules for participation of SOEs in public procurement as bidders to promote fair competition.
- ***Increase transparency:*** Ensure publishing of all directives, circulars, letters, and similar advisory documents in a single, central, easily accessible place kept up to date; require that key procurement information such as procurement plans and other procurement data that are relevant to promote competition and transparency, including visibility of flow of funds, be published; and publish key procurement decisions such as contract awards and decisions of the CRB. Introduce a minimum level of transparency as recommended for different indicators of this assessment and for full compliance with UNCAC.
- ***Ensure that SBDs are up to date and harmonized across the country if possible:*** There are SBDs at the federal level and in some regional states, although most public bodies use the federal SBDs. Update the existing federal SBDs, develop new ones as needed, and ensure that they are all available on the website. Agree with the regional states on their use and, if agreed so, consider the updated harmonized versions.



- **Adopt a policy on sustainable procurement:** Develop a policy for promotion of sustainable procurement in accordance with the Transformation and Growth Agenda allowing for sustainability to be incorporated at all stages of the procurement cycle.

## Pillar II: Institutional Framework and Management Capacity

- **Adopt the law to ensure proper project planning, administration, and management:** Ensure that there is a proper link between the project and financial planning and that the procurement plan is prepared in time to facilitate the budget planning and formulation process and to contribute to multi-year planning.
- **Streamline invoice review and payment approval to improve timeliness of payments:** The public bodies, in cooperation with the MoF and BoF, should review the process of invoice review and payment approvals, including the requirements of review by the MoF and BoF.
- **Reestablish the organizational structure of the regulatory bodies and enhance their capacity for fulfillment of their responsibilities:** Review their various functions to identify which are incompatible. For example, the role of the federal agency in the complaints review mechanism is especially problematic and conflicts with other functions. The organizational structure and resources must allow the regulatory bodies to focus on their key responsibilities, one of which is monitoring the performance of the public procurement system. The regulatory bodies must ensure collection and analysis of procurement data and their trends as a basis for improvement of the public procurement systems.
- **Establish independent regulatory function:** Organize the regulatory function with an adequate structure and resources independently from the BoF, particularly in the large regional states such as Oromia and Addis Ababa City Administration.
- **Revise procurement legislation in the regional states to accommodate the centralized procurement arrangement:** Consider revising the primary legislation to accommodate the centralized procurement arrangement (pool system) at the local level—*woredas* and zones.
- **Implement the e-GP system:** Undertake the pilot and implement the e-GP system at the federal level. Prepare a roadmap for implementation of the e-GP system and implement it in the regional states.
- **Ensure availability of procurement data and information:** Ensure that the e-GP system provides data and reports in the open data format necessary for monitoring of the public procurement system in a way that the public can access them. In the interim, enhance the functioning of the KPI system into a comprehensive data capture and performance measurement system. Establish a procurement policy team that uses the data to make procurement policy recommendations.
- **Establish a procurement profession:** Update the training strategy document and the roadmap to reflect current developments and lessons and address the challenges of establishing a skill-based sustainable training program and properly monitoring it. Establish a competence-based professional development and procurement profession based on technical and behavioral competencies. Develop a performance evaluation system specific to public procurement and link it with incentives and promotion.



## Pillar III: Public Procurement Operations and Market Practices

- ***Introduce a requirement to carry out needs analysis, followed by the market research:*** It is recommended to introduce a requirement, as part of project planning and preparation, to carry out needs analysis followed by market research with proper consideration of sector-specific characteristics, do design the optimal procurement strategy. Consider developing tools and templates to support needs analysis and market research. Adopt the new Project Administration and Management Proclamation, which is in the legislative process and, once adopted and implemented, promises to set up a rigorous process of project preparation and verification, as soon as possible.
- ***Improve record keeping:*** Given how widespread a problem record keeping appears to be, pay special attention during next year's procurement review and audit to review public bodies' record keeping arrangements and follow up negative findings within 3 months (not waiting for the next audit). Special attention should be maintained until significant improvement is made. Design a protocol to protect records.
- ***Increase transparency:*** Encourage and support participation of CSOs and their watchdog function and citizen participation in procurement.
- ***Establish a system of monitoring and evaluating contract implementation:*** As part of monitoring the performance of the public procurement system, agree with the public bodies on a mechanism to collect and analyze data to see trends in the market and procurement. The mechanism may include regular monitoring by public bodies of their own performance to identify and remove bottlenecks that lead to deficiencies in performance.
- ***As part of monitoring public procurement performance, regularly assess risks associated with key sectors to ensure collaboration of sector markets in specific areas to support procurement policy objectives.***
- ***Consider adding to the menu of procurement tools, such as rejection of abnormally low bids, multistage procurement methods, life-cycle cost evaluation criteria, sustainability criteria, and contract management features such as arbitration:*** Based on well-established monitoring of procurement processes and feedback from the industry, adjust training to the public bodies. For example, the assessment indicates that complaints on use of biased technical specifications and unclear legislation regarding use of national versus international standards may contribute to improving the curriculum that may need to be corrected.
- ***Remove discriminatory provisions and practices:*** Revise the legal provisions to remove discriminatory practices in setting the qualification criteria in relation to nationality and ensure that qualification criteria are commensurate with the procured goods, works, or services. Review the registration criteria for suppliers and the criteria for registration of contractors to remove unnecessary bureaucratic barriers and potential discrepancies in the bidding process.
- ***Streamline supplier invoice review and payment:*** Review the invoice payment processes to identify and confirm reasons for delays. Some delays can be averted by adjusting the processes. Other delays that are outside the procurement action, such as shortage of foreign exchange, may require temporary procurement arrangements to limit the need for the use of foreign exchange. Determine possible areas or action to improve planning for access to foreign exchange.



- **Carry out a dialogue with the private sector and remove constraints on access of private sector to the public procurement market:** Increase access to bidding opportunities for bidders from the developed market (Addis Ababa) such as electronic communication of bidding documents or for other firms using coordination office in Addis Ababa.

## Pillar IV: Accountability, Integrity, and Transparency of the Public Procurement System

- **Develop an online searchable database, updated continuously and accessible to the general public, that will provide data in open format:** Preferably, such database would be integrated with the e-GP system.
- **Establish and maintain a mechanism for CSO engagement in the procurement cycle and feedback loops on procurement performance and to help make public procurement more competitive and fairer, improving contract performance and securing results.**
- **Review and provide clear definitions of audit and review responsibilities among the institutions (regulatory bodies, OFAG, ORAG) to ensure that they operate within their authorized mandates, and ensure efficiency and accountability in the conduct of functions:** For the regulatory bodies, priority may be given to the monitoring function, which will also require new approaches, greater capacity, and possibly tailored software to allow data to be collected and analyzed and system reports produced. Any procurement review, if found necessary, should be differentiated from the audit that OFAG or ORAG conducts. It should be coordinated with OFAG or ORAG for consistency.
- **In agreement with OFAG and ORAG, increase capacity building of the auditors in procurement:** Ensure that the auditors are hired based on competencies and skills in procurement.
- **Establish a formal follow-up procedure for procurement audits:** Ensure enforcement of actions and address the reviews and audit findings of the public bodies with necessary support from management.
- **Consider reestablishing the federal CRB with a structure that helps avoid conflicts of interest and with adequate resources to fulfill its responsibilities in a timely manner:** Define qualification requirements, professional standards, and transparency procedures for appointment to the CRB. Involvement of the PPPAA in the CRB should be reduced to, at most, providing secretariat services; the PPPAA should not sit on the CRB. In Addis Ababa and Oromia, establish separate review bodies, ideally supported by their own secretariats, or consider sharing services of one appeal body with the federal government. Create an appeal system at the zonal and *woreda* level through delegation. Consider implementing the appeal system suggested in the Model Pool Directive that MoF issued.
- **Revise procedural provisions on complaint appeal to ensure that bidders have the right to review important procurement decisions, allow enough time and provide for realistic procedures to review complaints, publish decisions of the CRB, and define the mechanism to enforce the decision of the CRB and BoF in legal documents.**
- **Ensure consistency of public procurement legislation and other laws related to fraud and corruption:** Fragmented laws and unclear, discrepant provisions create a favorable environment for prohibited practices.
- **Develop an integrated anticorruption strategy and use modern technologies to detect wrongdoing and create an alliance between the relevant agencies, in particular between the PPPAA, FEAC, OFAG, Attorney General, and Police Commission, to fight corruption:** Ethiopia has undertaken multiple



actions and initiatives. Even though Ethiopia's 2019 Corruption Perceptions Index score increased to 37 points out of 100 compared to 34 points in 2018, as reported by Transparency International, Ethiopia is 96th on the Transparency International list.

- ***To increase transparency and the effectiveness of anticorruption efforts, ensure availability of and access to evidence that laws on fraud, corruption, and other prohibited practices are being enforced.***



## 5. Strategic Planning

The recommended action plan includes only key actions, but all gaps reported through this assessment must be considered. The federal and regional governments should develop a detailed dedicated action plan, considering findings of the assessment and the recommendations to address these findings provided in the matrices and the body of the report.

It is recommended that the detailed action plan to implement the recommendations of the MAPS assessment will include the targets, mechanisms to measure progress on qualitative and quantitative aspects, a timeline, and resources.

No.	Recommended Action	Responsibility	Timeline
<b>Pillar I. Legal, Regulatory, and Policy Framework</b>			
1	Revise PPL considering recommendations provided in matrix. When preparing new procurement proclamation, identify discrepancies, overlaps, and repetitions within procurement legal and regulatory framework and address them in revised legislation.	MoF—federal	Short term
		BoF—regional states	Medium term
2	Ensure integrity and consistency of the law.  a. Identify and address discrepancies, overlaps, and repetitions between procurement legal and regulatory framework and other laws. Some examples are identified in the matrix.  b. Add a function to regulatory bodies to screen all procurement laws, circulars, letters, and similar advisory documents from all sources for their consistency. Require that public bodies submit such documents to regulatory bodies.  c. Ensure that such screening is conducted regularly.	MoF—federal BoF—regional states	Regularly
		MoF—federal BoF—regional states	Short term-long term
		MoF—federal BoF—regional states	Short term
		MoF—federal BoF—regional states	Regularly
3	Ensure consistency of secondary public procurement legislation and other level legislation with the requirement of the PPL. <sup>a</sup>	MoF—federal BoF—regional states	Short term
4	Develop appropriate legislation for SOE procurement based on analytical study to identify need for and objective of regulating their procurement.	Federal PPPAA jointly with regional regulatory bodies	Short term
5	Establish single, central, easily accessible repository for all directives, circulars, letters, and similar advisory documents to be kept up to date and complete.	Regulatory bodies, MoF, BoF	Short term
	- Improve coverage and functionality of PPPAA website and keep contents up to date.		



No.	Recommended Action	Responsibility	Timeline
	- Regional states should establish their own website and consider using federal PPPAA website for short term.		
6	Agree on harmonized SBDs at federal and regional levels, update existing SBDs, and publish on website. Keep website up to date.	Regulatory bodies	Short to medium term
7	Develop policy for promotion of sustainable procurement.	MoF, BoF	Medium term
8	Engage procurement stakeholders to create awareness of sustainable procurement.	Regulatory bodies	Medium term
9	In regional states, issue PPP directives in accordance with their PPL or preferably a separate PPP proclamation with a directive.	BoF—regional states	Medium term
<b>Pillar II. Institutional Framework and Management Capacity</b>			
10	Adopt and implement a law to ensure proper project planning, administration, and management. At federal level, such a law is being written and must be championed for approval.	National Planning and Development Commission House of the People's Representatives Regional states	Short term
11	Improve performance on payment: - Review processes for payment of invoices to identify and remove bottlenecks. - Streamline budget transfer process from federal level to regional states. - Ensure consistency between finance and procurement documents on payment procedures. - Consider publishing payment procedures on websites for easy access to bidding community and the public.	Public bodies, MoF, BoF	Short term and regularly
12	Review organizational structure of regulatory bodies to identify improvements to allow regulatory bodies to focus on and properly discharge their key responsibilities. Provide adequate staffing according to approved positions.	MoF, BoF	Medium term
13	Establish regulatory function with adequate structure and resources independent from BoF, particularly in large regional states such as Oromia and Addis Ababa City Administration.	BoF—regional states	Medium to long term
14	Procurement of common goods (framework agreement):		
	a. Improve performance of and provide adequate staffing for federal Public Procurement and Property Disposal Service as recommended in matrix.	Federal and regional states	Medium term
	b. Expand line items for framework agreement to harness benefits from framework agreement.	Afar; Southern Nations, and Nationalities,	



No.	Recommended Action	Responsibility	Timeline
		and People's Region	
15	Revise primary legislation in regional states to include centralized procurement arrangement (pool system) used in <i>woredas</i> and zones.	BoF	Medium term
16	Implement e-GP:		
	a. Pilot at federal level. <sup>b</sup>	PPPAA	Immediate
	b. Prepare roadmap for implementation at federal level.	PPPAA	Short term
	c. Prepare roadmap for development and implementation in regional states.	Federal PPPAA and BoF	Short term
18	Improve system for collection and use of procurement data.	Regulatory bodies	Medium term
	a. Establish procurement policy team that uses procurement data to make procurement policy recommendation.	Regulatory bodies	Short term
	b. Consider integrating existing key performance indicator system with e-GP to ensure consolidated data collection, analytics, and reporting.	Regulatory bodies	Medium term
	c. Issue annual reports publicly on performance of procurement system, including trend analysis.	Regulatory bodies	Regularly
19	Training:		
	a. Update procurement professionalization training strategy document and roadmap to reflect current developments and lessons and address challenges to establishing skill-based sustainable training program.	PPPAA	Short term
	b. Consider establishing permanent training programs of suitable quality in regional states or agree with federal PPPAA to access training programs offered at federal level.	Regional states, regulatory bodies	Short term
20	Establish competence-based professional development and procurement profession based on technical and behavioral competencies.	PPPAA and Civil Service Commission	Medium term
21	Develop performance evaluation system specific to public procurement and link to incentives and promotion.	Civil Service Commission	Medium term
<b>Pillar III. Public Procurement Operations and Market Practices</b>			
22	Introduce requirement in legislation to conduct needs analysis, followed by market research.	MoF—federal	Short term
23	Develop tools and guidance on procurement performance, such as on market research, procurement methods, evaluation of bids, and sustainable procurement (see matrix), and introduce training on new tools.	PPPPA—federal	Short to medium term and regularly
24	Review and improve record keeping and design protocol to protect records.	PPPPA—federal	Short term and regularly



No.	Recommended Action	Responsibility	Timeline
25	Establish system of monitoring and evaluating contract implementation.	PPPPA—federal	Regularly
26	Establish and carry out regular assessment of risks associated with identified key sectors	PPPPA—federal	Regularly
27	Consider adding to menu of procurement tools, such as rejection of abnormally low bids, multistage procurement methods, life-cycle cost evaluation criteria, sustainability criteria, and contract management features such as arbitration.	MoF—federal	Short to medium term
28	Streamline process for advertising bids in newspaper in collaboration with Press Agency. Consider establishing email communication and wire transfer for payment of service charges.	Regulatory bodies	Short term
29	Conduct dialogue with private sector and remove constraints on access of private sector to public procurement market.	PPPAA	Regularly
<b>Pillar IV. Accountability, Integrity, and Transparency of Public Procurement System</b>			
30	Develop and maintain an online, interactively searchable database, updated regularly and accessible to the general public, that will provide data in open format. Once e-GP system becomes operational, create such database through e-GP system.	PPPAA	Medium term
31	Introduce in legislation and establish and maintain mechanism for CSO engagement in procurement cycle and feedback loops on procurement performance to help make public procurement more competitive and fairer, improving contract performance and securing results.	Regulatory bodies	Short to medium term
32	Procurement review and audit:		
	a. Review and provide clear division of audit and review responsibilities between institutions (review and monitoring by regulatory bodies, audit by OFAG or ORAG) to remove duplication and inconsistency in mandates. In the interim, institutions should agree on how their audits are differentiated.	MoF/BoF	Medium to long term
	b. In agreement with OFAG and ORAG, increase capacity building of auditors in procurement. Ensure that procurement auditors are hired based on competencies and skills in procurement.	PPPAA	Medium term
	c. Establish formal follow-up procedure for procurement audits. Ensure enforcement of actions and that public bodies address reviews and audit findings with necessary support from management.	MoF	Short term
33	Consider reestablishing the federal CRB with structure allowing conflict of interest to be avoided and with adequate resources to fulfill responsibilities in a timely manner.	MoF	Medium term



No.	Recommended Action	Responsibility	Timeline
34	In Addis Ababa and Oromia, establish separate review bodies, ideally supported by their own secretariat, or consider sharing services from one appeal body with the federal government.	BoF	Medium term
35	Revise procedural provisions on complaint appeal to ensure that bidders have the right to review important procurement decisions, provide for realistic length of time and procedure to review complaints, publish CRB decisions, define mechanism to enforce CRB and BoF decisions in legal documents.	MoF	Short term
36	Establish practical, accessible appeal system for procurement at local level.	BoF	Medium term
37	Ensure consistency of public procurement legislation and other laws related to fraud and corruption.	MoF	Medium term
38	Increase availability of and access to evidence that laws on fraud, corruption, and other prohibited practices are being enforced.	PPPAA and Attorney General	Regularly

a. Some examples and suggestions identified during the assessment are to:

- Align the provisions in the Public Procurement Directive (PPD) that differentiate the qualification criteria depending on the bidder's nationality to avoid contradicting the principle of non-discrimination in the PPL.
- Align the Public Procurement Law (PPL) and the PPD regarding grounds for eligibility and disqualification of bidders.
- Align the PPL and the PPD on exclusions from the right to review.

For other details refer to the respective matrices.

b. Ensure that the e-GP system provides data and reports in an open data format that allows monitoring of the public procurement system in a way that the public can access them.

Note: BoF, Bureau of Finance; CRB, Complaint Review Board; e-GP, electronic government procurement; MoF, Ministry of Finance; OFAG, Office of the Federal Auditor General; ORAG, Office of the Regional Auditor General; PPP, public-private partnership; PPPAA, Public Procurement and Property Administration Agency; SBD, standard bidding document.



## 6. Information Regarding Validation

No.	Description	Date	Remarks
1	Private sector consultation workshop. Minutes included in Volume III, Annex 4.	October 9, 2019	Comments received during discussion are considered.
2	Presentation and discussion of preliminary findings with PPPAA. Meeting was held in World Bank Addis Ababa office.	December 6, 2019	Comments received during discussion are considered.
3	Preliminary review provided to MAPS Steering Committee.	January 22, 2020	Comments received and considered. Assessment Team did not agree with all comments.
4	Validation workshop (virtual) with MAPS Steering Committee. Minutes included in Volume III, Annex 4.	May 29, 2020	Comments received and considered.
5	Validation workshop (virtual) with broader audience of stakeholders including public bodies, private sector, development partners. Minutes included in Volume III, Annex 4.	June 4, 2020	Comments received and considered.
6	Stakeholder analysis shared with PPPAA and Ministry of Finance	June 10, 2020	Comments received and considered.
7	Peer review as part of World Bank quality assurance.	June 17-24, 2020	Comments received and considered.
8	Review and clearance by World Bank management	June 29, 2020	Done.
9	Review of final report by government	December 6, 2020, to June 2021	Comments received and considered.
10	Assessment Technical Advisory Group (ATAG) review	June—July 2021	Comments received and considered.

Note: MAPS, Methodology for Assessing Procurement Systems; PPPAA, Public Procurement and Property Administration Agency

**Annexes** are included in Volumes II and III of the Report.



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