



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 08-Jun-2022 | Report No: PIDC264928

**BASIC INFORMATION****A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P179041		Moderate	Ethiopia Public Procurement System Strengthening Project
Region	Country	Date PID Prepared	Estimated Date of Approval
Eastern and Southern Africa	Ethiopia	08-Jun-2022	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Finance	Public Procurement and Property Administration Agency	

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**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	0.58
<b>Total Financing</b>	0.58
<b>Financing Gap</b>	0.00

**DETAILS****Non-World Bank Group Financing**

Trust Funds	0.58
Global Procurement Partnership Multi-Donor Trust Fund	0.58

**B. Introduction and Context**

## Country Context

Ethiopia is one of the world's fastest growing economies (6.1 percent growth rate in 2021) and the second most populous country in Sub-Saharan Africa (118m population; 80 percent rural). With an estimated per capita income of US\$890 (2021), Ethiopia remains one of the poorest countries in the world but has achieved substantial progress in economic, social, and human development over the past three decades. Despite these gains, around 30 million people in Ethiopia lived on less than US\$1.90 (2016).



The Government of Ethiopia (GoE) has embarked on an economic reform program that is more ambitious than has been seen in recent past. The “Homegrown Economic Reform” program, initiated in 2018, aims to (i) accelerate income growth of both rural and urban households and thereby further reduce poverty and ensure food sovereignty (the right of Ethiopians to define their own food systems and access healthy and culturally appropriate food); (ii) promote structural transformation of the economy that builds on rapid growth in agriculture but envisions greater dynamism in the industrial and service sectors; (iii) promote job creation for a growing labor force given a demographic profile where close to 70 percent of the population is under 30; and, (iv) foster a climate resilient and green economy. Increased focus on the role of the private sector and on regional trade integration are noteworthy features of the reformed approach.

Fragility and conflict Situation: Ethiopia has been classified as medium-intensity conflict country based on the FY22 fragile and conflict-affected situation. This is mainly due to the conflict in Tigray region over the last nine months, and skirmishes by armed groups in western, south- western and southern Ethiopia. The conflict claimed the lives of several Ethiopians and also displaced many more. However, has shown significant improvement over the last few months. Armed conflict is now limited to clashes on a smaller scale and in a limited area around Tigray Region. With the improvement of overall security, the nationwide State of Emergency which was declared in November 2021 has been lifted in February 2022. There have been positive developments that hold promise for national reconciliation and building sustainable peace. The Ethiopian government and Tigrayan regional forces have expressed desire to resolve differences through dialogue and have toned down aggressive rhetoric. There is high expectation that ongoing efforts will culminate with sustainable peace and stability in Ethiopia

#### Sectoral and Institutional Context

Ethiopia established basic procurement system and capacity at federal and sub national level. The federal government and the sub national states issued procurement proclamations, Directives and manuals. They also use Standard Bidding Documents. The country follows both decentralized and centralized procurement structure with public bodies delegated to carry out their own procurement needs. The procurement positions are recognized in the civil service structure and each of the federal and the regional states established agency that carries out procurement of common user items centrally through framework contracts. There is robust oversight structure both at federal and subnational level. Procurement audits are carried out regularly by external auditors, internal auditors and procurement regulatory bodies at different level of scope, depth and reporting structure.

The country carried out procurement system assessment using MAPS II tool in collaboration with the World Bank and other stakeholders. The assessment came up with areas that require improvement (i) There are inconsistencies among key documents in the procurement legal framework (ii) The system lacks required level of transparency both in terms of legal provisions as well as practice (iii) The functions and duties of the Procurement Regulatory Bodies are wide ranging, lacking proper segregation of duties and thus leading to actual or perceived conflicts of interest (iv) The procurement of SOE’s not covered in the procurement legal framework and not regulated (v) e-GP is only under pilot implementation and no roadmap to implement to



wider public bodies and subnational states (vi) Procurement function and positions are identified in the civil service structure. But job requirements are generically defined and not based on competencies. Besides, the training programs are not integrated and aligned with job requirements and are not considered for placement or promotion (vii) Procurement records, including payment documents, are not complete and accessible. There is no security protocol to protect records (viii) There is no mechanism and practice to carry out meaningful market assessment that informs selection of optimal procurement approach (ix) the local market is limited and hampered by different systemic challenges including shortage of foreign currency and capacity (x) Sustainable procurement is not yet introduced in the procurement legal framework and (xi) Oversight agencies are not coordinated and audit recommendations are not enforced.

Following the assessment, the Public Procurement and Property Administration Agency in collaboration with the World Bank prepared procurement reform strategy document and action plan. The action plan has helped to identify priority actions and quick wins, resource requirements, timetable and structure to implement key recommendations of the MAPS assessment. However, the sector is constrained with lack of adequate capacity to implement the action plan. The project will provide financial resource and technical support to implement some of the priority activities.

#### Relationship to CPF

The country partnership framework (2018-2022) targeted two interlinked objectives related to procurement; strengthening the procurement system in the country and enhancing fiduciary oversight on Bank financed projects. The CPF specifically mentions support for procurement capacity assessment, establishment of E-GP system and other related activities. During the CPF period, procurement capacity assessment (MAPS) was carried out followed by preparation of the action plan that have identified the above actions as priority to strengthen the procurement system in the country.

Likewise, the 10 year's development plan of the country aims at addressing procurement capacity limitation and rent seeking behavior on government contract and lack of transparency. The above priority actions are instrumental to address the procurement capacity in terms providing modern and up to date procurement legal framework, addressing systemic issues affecting procurement performance including transparency and efficiency.

### **C. Project Development Objective(s)**

#### Proposed Development Objective(s)

Contribute for strengthening public procurement system and performance in Ethiopia by supporting issuance of new and revised legal framework, upgrading skills and producing tools and evidence on key aspects of the procurement system as identified in the MAPS recommendation.



Key Results

- Support Sidama and Southwest regions prepare procurement legal documents. Support the federal government and regional states to update and disseminate procurement proclamation and directive.
- Provide advanced training to staff in the procurement regulatory bodies and training to staff and officials in public bodies on the newly prepared procurement documents
- Prepare the following documents (a) Guidance on procurement record management prepared and issued (b) Emergency procurement procedure prepared and issued (c) Guidance on Streamlined Ad placement arrangement prepared and issued (d) Study report on sustainable procurement prepared and issued (e) Study to enhance participation and responsiveness of domestic market

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**D. Preliminary Description**

Activities/Components

The project will provide support under the following two components;

- a) Component 1: Support the preparation and dissemination of procurement legal documents in the newly established Sidama and Southwest Regions. Though the revision of the legal documents at the federal level has been started and reached advanced stage, the revision is not yet started in the regional states. The grant will provide support in finalizing revision at the federal level and initiating the revision at regional level. The support will include providing advanced training to procurement staff in the regulatory bodies and awareness training to staff and decision makers in public bodies on the newly revised proclamations and directives, as appropriate.
- b. Component 2: Technical support for evidence-based decision making and issuance of documents in key procurement areas; This component supports the work to improve record management system, establish emergency procurement procedure, minimize impact of foreign currency shortage on procurement performance, streamline the process of placing an Ad in the newspaper and sustainable procurement.

**Environmental and Social Standards Relevance**

**E. Relevant Standards**

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant



ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

**Legal Operational Policies**

**Safeguard Policies**

**Triggered**

**Explanation (Optional)**

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

**Summary of Screening of Environmental and Social Risks and Impacts**

The activities to be financed by the project are technical assistance to update procurement proclamation and directive as well as preparation of relevant procurement guidance and studies without any on-the-ground activity with potential negative, significant environmental risks or impacts. However, occupational health and safety (OHS) concerns are anticipated to be a relevant risk as a result of the project activities if procurement activities are not properly implemented. Hence, under the World Bank's ESF the environmental risk of the project is moderate and, therefore, the client is expected to develop environmental risk management instruments as described in ESS1 section below, including the development of a OHS plan to guide TA activities. Given the available information at this stage, the potential social risk of the project is rated as moderate based on the nature of the activities, and the geographical coverage of the project which mainly involves technical assistance to the Public Procurement and Property Administration Agency (PPA). The Project will not include any civil works; thus there will be no risks and impacts related to land acquisition and involuntary resettlement. Again, it is also not expected to involve in activities that require any direct interaction with communities. Requirements for engagement will also be limited to the public sectors and significant grievances are not expected as the main beneficiary is the PPA. However, as the project is anticipated to be implemented throughout the nation, the contextual risks of security situation in the country may impact the TA activities and the project workers' safety and security. In addition, as the PPA involves a large number of staff in the reform activities, there could be potential risks related to labor and working conditions including risks around discrimination/exclusion based on gender and ethnicity, Occupational Health and Safety (OHS), workers security, and related risks of gender-based violence (GBV). However, labor influx is not anticipated and there would be no issues related to forced labor and child labor.

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**Borrower/Client/Recipient**

Borrower : Ministry of Finance

**Implementing Agencies**

Implementing Agency : Public Procurement and Property Administration Agency

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