



African Public Procurement Network
Knowledge and Experience Sharing and Exchange Session Agenda

Sustainable Procurement – Driving Environmental and Social Impact through the Use of Innovative Technologies

Date: March 27, 2025

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Contents

1. Consultancy Background

2. Overview of SDGs and Implementations in Ethiopia

3. Sustainable Public Procurement

4. Micro and Small Enterprises (MSEs),

5. Competitiveness of the Ethiopian Supply Community (ESC)

6. Implementation Guide

1. Sustainable Procurement Background in Ethiopia

- Arises from the **2019 OECD** Methodology for Assessing Procurement Systems **[MAPS]**
- MAPS **identified strengths and areas of improvement** at the federal and regional levels of Ethiopia's public procurement
- MAPS shows presence of **legal, regulatory, institutional, and anticorruption frameworks** that guides public procurements in the country. However sustainable procurement lacks focused.

2. Sustainable Public Procurement



Pillar	Examples
Economic	<ul style="list-style-type: none"> ⌚ Economic regeneration ⌚ Development of SMEs ⌚ Improving the competitiveness of ESC ⌚ Total cost of ownership and life cycle costing ⌚ Value for money ⌚ Poverty reduction ⌚ Resilient economies
Environmental	<ul style="list-style-type: none"> ⌚ Environmental resource management ⌚ Urban planning ⌚ CO2 reduction ⌚ Alternative energies: e.g., solar, wind ⌚ Water management ⌚ Sustainable agriculture ⌚ Protection of ecosystems ⌚ Pollution and waste management ⌚ Friendly patterns of consumption and production ⌚ Lowering greenhouse gas emissions
Social	<ul style="list-style-type: none"> ⌚ Human rights ⌚ Clean drinking water ⌚ Food security ⌚ Anti-child labour and forced labour laws ⌚ Fair-trade ⌚ Health and safety ⌚ Gender equality including universal education ⌚ Child mortality and maternal health

2.1. Public Procurement and Related Laws in Ethiopia

So Far

- Proclamation No. **649/2009** sets out basic procurement principles of **value for money, non-discrimination, transparency, fairness & accountability**
- Electrical & Electronic Waste Management & Disposal Regulation (425/2018)
- Medicines Waste Management and Disposal Directive
- There are many more laws and regulations governing procurement – e.g. labour practises, environment, fraud, corruption.
- **The drawbacks of 2009 proclamation on SPP recognized**

In a new Procurement proclamation (1333/2024, includes

Whole life cycle cost analysis

Green procurement

Recycling

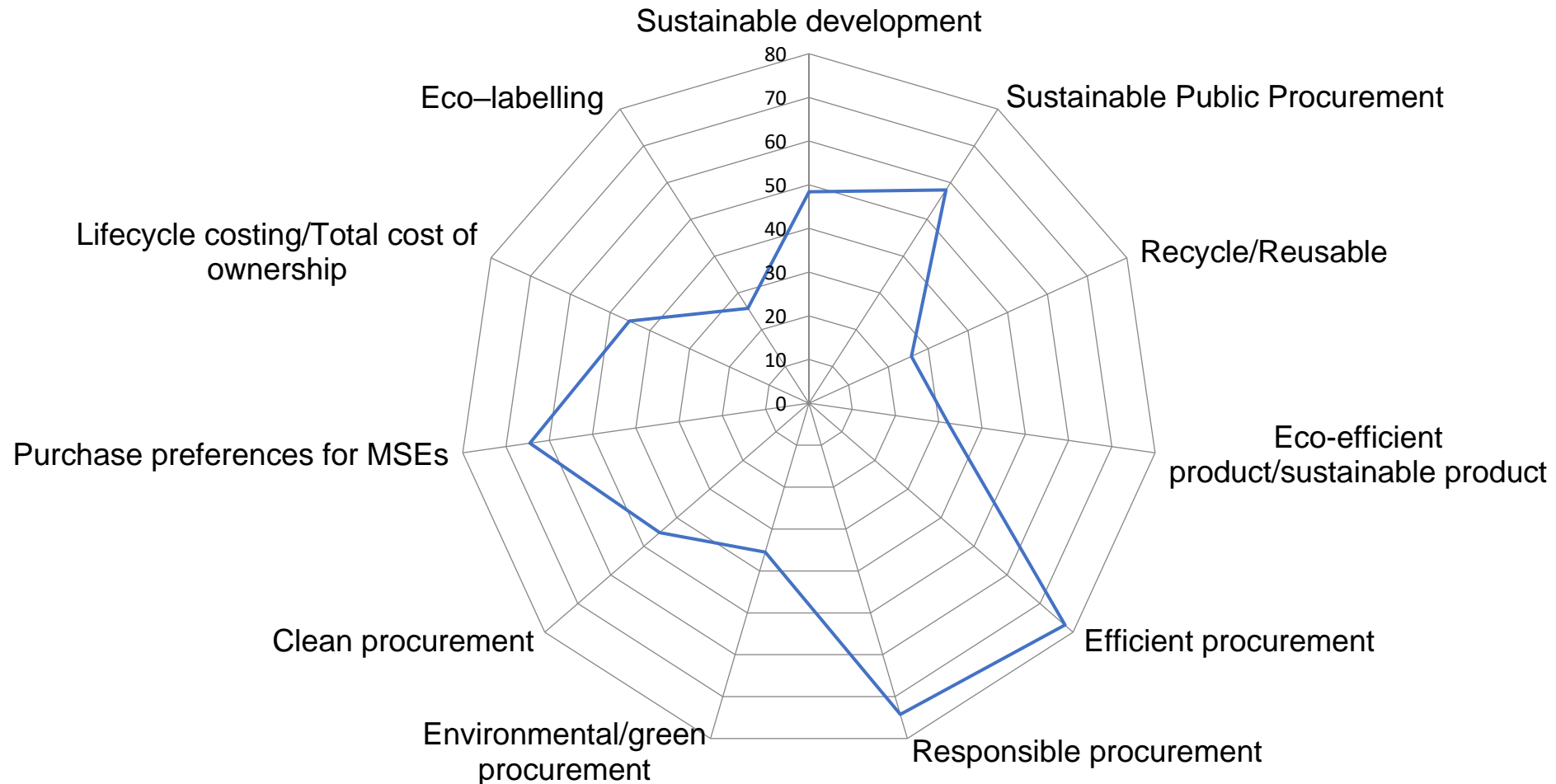
Interests of society

Applies to Public Enterprises

2 + 2 method of procurement

Set asides for ESC nascent industries/supplies

2.2. SUMMARY of Awareness and Knowledge about SPP Concepts



2.3. Current Challenges for SPP In FDRE (1)

- **Lack of awareness** of procurement's potential to influence the FDRE's supply markets and still achieve VfM
- There are **no explicitly stated** specific objectives related to SPP
- There was **no** policy, or procedures & Standard Bid Documents [SBDs] in Ethiopia for SPP
- Lack of **capacity for effectively planning** procurement activities
- **Life cycle costing is not** considered in bid evaluation
- **Limited awareness of** the environmental, social and economic impacts in the supply chains of the **FDRE's suppliers**
- Lack of clearly defined environmentally sound **property disposal directives** and procedures
- Ethiopia based private sector **disposal facilities**, and **technical know-how** are a **key barrier**

Cont'd. Current Challenges for SPP In FDRE (2)

- E-GP **not fully functional** across PBs in regions
- PBs require unfairly that prime suppliers subcontract portions of work
- Lack of constructive debriefing by PBs of unsuccessful bidders
- Limited use/requirement for **eco-labels**
- Suppliers Code of Conduct used only for externally funded purchases
- Weak linkage between PBs and related ministries to close supply gaps

Disposals

CHALLENGES

- Disposal is a life cycle cost but difficult to estimate at time of purchase, including resale value, if any
- Private sector slow to offer adequate disposal, recycling, repurposing
- Extended Producer Responsibility (EPR) where sellers handle disposal not readily available
- Disposal manual out of date [GOFFAM]
- E-system available to sell obsolete assets

SUGGESTED APPROACHES

- SPP- to determine formula
- Identify for possible PPP opportunity including for private sector and household waste
- Select categories of Purchases where ERP/e-GP could apply [e.g. ICT equipment] and pilot where sellers are responsible for ERP.
- Ethiopia has selected some categories for piloting SPP
- Update as required and reflect SPP approaches

E- disposal system should be in place

Practiced Recommendations (SPP): Short Term

- Begin **slowly and expanding gradually**, sustainable public procurement practices ----- started
- Create an FPPPA chaired SPP Steering Committee
- Publish a **SPP Policy and Guide**
- Update procurement **manual & SBDs to incorporate SPP and rest of 2023 Proclamation. Done**
- **Update GOFFAM-- on progress**
- **Provide SPP training to all applicable Federal and regional staff-Started**
- **Design and implement an SPP communications program to ESC and ISC**

Recommendations (SPP): Short Term

- Use of e-GP to be **mandatory** for PBs
- e-GP needs to be **integrated** with the IFMS (for payment)
- Develop **formula for calculating life cycle costs** including disposal.
- SPP-SC to set targets for short term
- Introduce priority purchases
- Set up monitoring systems

Recommendations (SPP) - Short to Medium – Term [3]:

- Introduce SPP **rateable criteria for bid evaluations**
- Encourage and quicken the adoption of SPP
- Introduce SPP to the prequalification process for bidders
- Adopt stricter disposal planning, particularly at the property appraisal stage
- Collaborates with international bodies
- Training needs to be organized frequently
- **Use Extended Producer Responsibility (EPR)**
- Ban or suspend suppliers who do not adhere to Environmental, Social, Health, and Safety (ESHS) guidelines/Code of Conduct guidelines

3. Micro and Small Enterprises (MSEs), Youth and Women



MSEs play vital role in sustainable development



To improve the contribution of micro and small and medium sized enterprises, increasing their access to financial services is foreseen area of interventions (Goal 8.3 and 9.3)



MSEs are playing to the economic development and poverty reduction goal of the country



The 10 years national plan (2021-2030) acknowledging the role of MSEs



MSEs get some preference (3%) when bidding against non MSEs; and higher preferences when bidding against ISC



2 million micro enterprise to be established by the end of 2030

MICRO AND SMALL ENTERPRISES [MSEs]

Types Enterprises	Number of Employees	Total Asset (Birr)
Micro Manufacturing Enterprise	10	600,000
Micro/Service/Agriculture	10	400,000
Small Manufacturing Enterprise	11-50	600,001-10,000,000
Small Service/Agriculture) Enterprise	11-50	400,001-5,000,000

CHALLENGES	SUGGESTED APPROACHES
No criteria for MSEs owned by women, youth and disabled persons	<ul style="list-style-type: none"> • the Ministry of Labor and Skills needs to create criteria for MSEs owned by women, young people, and persons with disabilities
No pattern of PBs creating smaller packages or lots to suit MSEs.	<ul style="list-style-type: none"> • Bid criteria to prime contractors requires/influences to subcontract part supply to MSEs
Some MSEs are reluctant to grow beyond the MSE criteria [number of staff and assets] as they will lose the established preference allowances	<ul style="list-style-type: none"> • Use sales turnover as an additional/alternative criteria
PBs undervalue the work of MSEs	<ul style="list-style-type: none"> • PB need to recognise the importance of MSEs – see target • Awareness creation and promotion to correct distorted impressions about SMEs among the public
<p>No specific measures of effectiveness of current MSE preferences</p> <p>The 3% preferential treatment allotted to local suppliers in public procurement is not enough to leverage the competitiveness of local suppliers</p>	<ul style="list-style-type: none"> • Target 10% by value of all PBs purchases with MSEs • Target may need to be PB specific • Set contract value to allow “set asides” where only MSEs bid and no preferences • 10% can include directed subcontracting to MSEs
MSEs fail to deliver against contracts [poor quality, late]	<ul style="list-style-type: none"> • To be countered by PBs exercising adequate post qualification prior to contract award.

CHALLENGES	SUGGESTED APPROACHES
<ul style="list-style-type: none"> PBs always choose the same MSEs to ask to bid 	<ul style="list-style-type: none"> PB to use rotational bidding with two best bidders from previous bid and three new ones FPPPA to monitor compliance via audit process
<ul style="list-style-type: none"> MSE policy need to recognize the wide diversity in the scope of supplies from MSEs <i>[e.g. agro services to consulting]</i> 	<ul style="list-style-type: none"> May impact the MSE contracting target proposed of 10% for each PB
<ul style="list-style-type: none"> Improve MSEs access to capital and credit facilities Lack of focus of the DBE credit facility to reach micro and small enterprises 	<ul style="list-style-type: none"> Ministries need to handle
<ul style="list-style-type: none"> MSEs do not fully understand how to bid for public purchases 	<ul style="list-style-type: none"> Set targets for the number of training sessions and goals of number of MSEs trained

4. Competitiveness of the Ethiopian Supply Community (ESC)

- The UN 2030 SDG recognizes that private business activity, investment, and innovation are the major drivers of productivity, inclusive economic growth, and job creation.
- The private sector is **given priority** to lead economic growth
- PPP proclamation (No. 1076/2018) creates a favorable framework for **promoting privately financed projects**
- Presence of preferential treatment to **encourage local producers**
- Frequent adjustments in the thresholds of procurement values for International Competitive Bidding
- Preferential treatment allowed for ESC
- The e-GP allowed the registration of potential suppliers
- Development Bank of Ethiopia (DBE) gives **access to working capital** through lease financing

CHALLENGES	SUGGESTED APPROACHES
PBs always choose the same ESC members for limited bids	<ul style="list-style-type: none"> • PB to use rotational bidding • FPPPA to monitor compliance via audit process
Names of shortlisted/prequalified bidders “on demand” only	<ul style="list-style-type: none"> • Publication will help ESC members pursue subcontracts
Lack of a sufficient number of ESC suppliers capable of meeting the needs of PBs	<ul style="list-style-type: none"> • Supply gaps should be brought to attention of min of industry; • Seek competitive bids to assist suppliers develop
ESC members do not fully understand how to bid for public purchases (Digital Literacy Gap)	<ul style="list-style-type: none"> • Set targets for the number of training sessions and goals of number of ESC members trained
Public Enterprises (PEs) now to comply with 2024 Procurement proclamation	<ul style="list-style-type: none"> • Training required of PEs to apply requirements of the proclamation for their purchases, as well as for SPP • Support the gradual privatisation of PEs
<p>Limited use of Joint Ventures where skills, experience transferred from one entity to another due to:</p> <ul style="list-style-type: none"> • Many ESC members cannot qualify alone and could need additional financial backing • ESC members have limited JV experience • Asymmetry of power between ESC and ISC partners 	<ul style="list-style-type: none"> • Where can ESC members get help in JV conditions, • Number of JVs with nationals to be monitored and where successful publicised • Require/influence subcontracting by prime suppliers, especially from ISC to ESC – PBs to set targets and report against.

CHALLENGES

Many of the reasons for ESC's lack of competitiveness is caused by:

- Lack of access to financial resources
- Lack of strong and sustainable infrastructure
- Limited market access and information
- Lack of experience in terms of managerial and technical capabilities.
- Government policy and administrative hurdles

4/27/2025

- Internal and external political

SUGGESTED APPROACHES

- These are beyond the remit of public procurement and require the attention of the relevant ministries.
- “How to Bid to Government” training to be made available – set targets for number to be trained each year.
- Ensure annual procurement plans published on schedule and updated as required [enables ISC and ESC to prepare for opportunities including for subcontracting

5. Implementation Guide

a. Governance: FDRE's Sustainable Public Procurement Steering Committee (SPP-SC) (1)

MEMBERSHIP

- Chaired by FPPPA
- PBs directly involved in making Purchases and are required to apply SPP
- PBs with a more regulatory role to provide SPP policy guidance
- Public Enterprises, both as purchasers in their own right and as Suppliers to PBs
- Regional equivalents of FPPPA
- Chambers of Commerce to:
 - Promote SPP to their members and
 - Provide the SPP perspective of the supply communities
- Universities, research centers and expert national and international SPP focussed organisations, as required.

FDRE's Sustainable Public Procurement Steering Committee (SPP-SC) (2)

SPP-SC ROLE INCLUDES

- Develop detailed ToRs, budget and schedules for SPP – SC reflecting critical objectives of:
 - Development, guidance, and interpretation of SPP policy for Purchases and Disposals
 - Promulgation of SPP application by monitoring, training, and communication across PBs, ESC and ISC
 - Coordinate and support the consistency of SPP initiatives across PBs
 - Set SPP targets and record and report progress
 - Link with international SPP specialists to learn and adopt current best practices
 - FPPA needs to encourage of SPP best practices and achievements through **awards and incentives in collaboration with other stakeholders**

b. Supplier Selection Criteria : Life Cycle Costs

- **Life Cycle Assessment (LCA):** Life Cycle Assessment is a methodology that is to be used as part of the Annual Procurement Plan process to identify: **3**

A. Life Cycle Costs(LCC)

- **Life Cycle Costs (LCCs)** of a Purchase, in addition to the purchase price, applicable life cycle costs are added.
- **These costs can be energy, fuel, water, spares, maintenance, and end-of-life costs**, for example, decommissioning or disposal or residual value in revenue from the sale of the exhausted Purchase.
- The result provides the Total Cost of Ownership (ToC) for the Purchase.
- Where such TOCs are likely to vary between Suppliers, TOC is used to identify the Supplier offering the best value.

B. Life Cycle Environment(LCE)

- **Life Cycle Environment (LCE)** of a Purchase assesses the environmental impact (e.g. pollution, carbon production) during the Supply Chain of the Purchase, its use or operation by the PB and subsequent Disposal.
- Where consistent with FDRE's SDGs priorities, **the PB shall consider creating incentives for Suppliers to mitigate the environmental impact of the Purchase.**
- If warranted, beneficial monetised or non-monetised environmental incentives may be added (where in line with FDRE's SDG priorities) to the Total Cost of Ownership for the Purchase.

C. Life Cycle Social(LCS)

- **Life Cycle Social (LCS)** of a Purchase assesses the social impact during Purchase's Supply Chain stages **[e.g. employee safety, gender equity, fair employment conditions]**.
- Where consistent with FDRE's SDGs priorities, consideration should be given by the PB to create incentives for Suppliers to mitigate or improve the social impact of the Purchase.
- There may be beneficial monetised or non-monetised social incentives, (where in line with FDRE's SDG priorities) added to the Total Cost of Ownership for the Purchase.

The Way Forward

- 1. Strengthening Regulatory Framework** – Integrate Sustainable Public Procurement (SPP) principles into procurement laws, manuals, and bid documents to ensure consistency and enforceability.
- 2. Enhancing Institutional Capacity** – Build the technical capacity of procurement staff through continuous training, knowledge-sharing, and engagement with international best practices.
- 3. Technology & System Integration** – Enforce the mandatory use of e-GP, integrate it with IFMS, and establish robust monitoring mechanisms to enhance transparency and accountability.
- 4. Stakeholder Engagement & Collaboration** – Develop multi-sectoral consortia involving key industries and regulatory bodies to shape sustainable procurement policies and share best practices.
- 5. Incentives & Compliance Measures** – Establish recognition programs, incentives, and enforcement mechanisms such as contractor bans for non-compliance with Environmental, Social, Health, and Safety (ESHS) standards.
- 6. Gradual Implementation Strategy** – Start with select product categories and procurement processes, gradually expanding sustainable procurement criteria across all sectors.



THANK YOU !