European Bank
for Reconstruction and Development

Ơhe EBRD approach in relation to private sector procurement

ij¸ c ɹ

1 September 2026

Contents

1. Purpose of this note[1]

This note offers an overview of the approach of the European Bank for Reconstruction and Development (EBRD) to private sector procurement, aimed at promoting transparency and facilitating understanding among external stakeholders. It is intended solely for informational purposes and does not constitute official guidance, policy, or legal advice. The contents herein are not binding on the EBRD and do not commit the EBRD to any specific course of action.

2. Introduction private sector procurement

The EBRD's mandate to develop a strong private sector in its countries of operation is anchored in Article 1 of the Agreement Establishing the European Bank for Reconstruction and Development (AEB), requiring the fostering of transition towards open market-oriented economies. To this end, the private sector rules in Article 4 of the EBRD's Procurement Policies and Rules (PPR) apply to a Private Sector Operation which finances (i) any form of Capital Expenditure involving the acquisition of Goods, Works, Services, (ii) Commodities, (iii) Consultancy Services, or (iv) any combination thereof.

In relation to private sector procurement, the "Chairman's Report on the Agreement Establishing the European Bank for Reconstruction and Development", Article 13, Paragraph 6, notes: "*Private sector enterprises in which the Bank holds equity or debt might be encouraged, but not obliged, to use international tenders to obtain goods or services efficiently and economically*."

In line with the AEB, the PPR therefore does not require, but encourages, competition in a Private Sector Operation. In their drive for increasing revenues, profits or capitalisation, private sector Clients will inherently strive to achieve the best value for money. The focus in a Private Sector Operation from a procurement perspective is on verifying the efficiency of the Client's established procurement practices to achieve commercial best outcomes in terms of value for money and effective use of funds.

3. Applicable procurement arrangements

3.1. General principle

In a Private Sector Operation, the general principle is that the EBRD's focus is on the assessment of the application of the Clients' procurement processes to achieve appropriate use of funds and economy and efficiency, leading to achieving value for money for Clients, including environmental and social considerations. Key consideration for obtaining the best value for money is the focus on, among others, sustainability and life-cycle cost.

[1] Terms not defined here have the same meaning as in the Bank's Procurement Policies and Procedures (as can be found on the EBRD website)

The type of the Private Sector Operation dictates the type and scope of the due diligence to be conducted and the monitoring of implementation. Operations involving capital expenditures can be categorised into two main types: (i) corporate lending and (ii) project financing

3.2. Value for money

Value for money in the private sector is a strategic lens through which companies evaluate performance, allocate resources, and sustain competitiveness in a complex global economy. It influences every major financial, operational, and investment decision to maximize shareholder value, profitability, resilience and long-term competitiveness. Private companies embed value for money into their operations to extract maximum value from their spending, secure favourable terms, ensure high performance from suppliers, and minimize risk exposure across the contract lifecycle. Value for money concept shapes capital allocation, supplier relationships, and operational efficiency.

To achieve value for money, private companies should normally adopt a lifecycle approach to procurement and project management, evaluating options based on total cost of ownership, performance metrics, and longer-term returns on investment.

Equally important is the integration of sustainability criteria into procurement practices. The Bank promotes that long-term economic value being intrinsically linked to environmental and social sustainability and encourages private companies, therefore, to reflect sustainability considerations, such as energy efficiency, carbon footprint, recyclability, human rights compliance, and supply chain resilience.

The EBRD considers that life cycle costing and sustainability assessments ensure that investments are not only cost-effective but also responsible and future-proof. The EBRD promotes alignment of the procurement practices of its private sector clients with the objectives of the Paris Agreement, with the aim to support reaching climate goals, promoting innovation to ensure accountability and adaptability throughout the project life cycle.

3.3. Corporate lending projects

With corporate lending projects, funding is generally provided to a borrower or borrowers (privately owned) for general corporate investments (e.g., expansion, modernisation). In relation to corporate lending, the EBRD’s assessment of value for money focuses on ex-ante due diligence of the Client’s own established procurement arrangements. The EBRD’s assessment focuses on the Client’s general procurement principles and processes. The EBRD will assess the acceptability of the Client’s established procurement arrangements holistically for each operation. It will analyse whether these arrangements are fit for the intended purpose. The depth of assessment will be dependent on, among others, the size and institutional set up of the company, magnitude and value of the contracts being financed.

The assessment of the Client’s procurement policies and procedures will require an analysis of the Client’s written policies and procedures (if these are available) as well as how these are operationalised. In conducting such assessment, the EBRD may request the Client to provide and will analyse the information necessary to determine, inter alia, the Client's procurement governance, strategy, corporate legal and policy framework, operational processes, and performance management. Each such request will be tailored to be proportionate to the specific EBRD Operation: some questions may not need to be asked or additional questions may need to be asked.

In line with the AEB, the Client is not required to follow competitive procedures, they may have valid reasons to have adopted a different approach. The Client instead may have strategic or collaborative partnerships, and, it may be essential for the Client to have in place reliable and stable supply chains. Finally, some Clients may have obtained certificates from standard setting bodies that their procurement arrangements show certain maturity (e.g. ISO 20400:2017 on Sustainable Procurement).

The EBRD will allow Clients to apply their own established procurement processes for the procurement of an EBRD-financed contract provided that the EBRD has determined that such arrangements enable the Client to achieve a sound selection of goods, works, services, consultancy services or commodities at fair market prices, with consideration of life cycle costs, as appropriate, thus enabling achieving value for money. In case the Client does not yet have an established procurement framework (e.g. start-up, spin-off, new greenfield project), the procurement due diligence will focus on how the procurement arrangements proposed by the Client will be implemented.

3.4. Project financing transactions

In project finance transactions, funding is usually provided to a special purpose vehicle established for the purpose of developing, constructing, and operating a dedicated, specific asset(s) (e.g., solar, wind farm). The EBRD requires Clients to apply competitive procurement arrangements, where appropriate, for the procurement of Goods, Works, Services, Consultancy Services or Commodities which must be acquired at fair market prices under balanced contract conditions, which enable the Client to achieve value for money.

The focus of the EBRD's assessment differs depending on whether, at the time of the EBRD's consideration of the project, the contracts to be financed by the EBRD have already been awarded.

In case Goods, Works or (Consultancy) Services financed by the EBRD have not yet been contracted, the EBRD will assess the specific procurement arrangements to be used by the Client to contract these. These arrangements must be sound to ensure that the resulting contracts are procured at fair market prices and the Client can achieve value for money. Clients are encouraged but not mandated to use competitive procedures. Client may have valid reasons to have adopted a different approach as they may have strategic or collaborative partnerships with contractors and suppliers.

In case the contracts for Goods, Works or (Consultancy) Services to be financed by the EBRD had already been awarded during the time the EBRD is considering the project, the EBRD's assessment focuses on whether the prices for those contracts are in line with current market prices and the contract conditions are reasonable to ensure successful completion of the project. The EBRD may involve an independent professional advisor (e.g. Lender's Technical Advisor, Lender's Legal Advisor).

3.5. Arm's length transactions

Where a shareholder or an Affiliate of the Client is also a supplier, contractor or consultant under an EBRD-financed Contract, the Client shall ensure that such contract shall be negotiated at arm's length and shall be in the best financial interest of the EBRD Operation.

4. Due diligence and contract monitoring

In addition to the procurement analysis, during the due diligence phase of an EBRD project, a further range of potential risks is *ex ante* analysed. In Private Sector Operations, *ex ante* integrity due diligence involves reviewing key stakeholders involved in the transaction and is undertaken based on information available at the time of the assessment, with findings documented and evaluated in respect of their significance for the project. The review covers issues such as debarments by multilateral development banks, criminal investigations, regulatory actions, civil litigation, international sanctions or embargoes, forced labour, political exposure, and human rights concerns. The EBRD would not proceed with the transaction if it concluded that the integrity or reputational risk arising from a certain integrity issue is deemed unacceptable.

To enable the EBRD to confirm that the Client is using the proceeds for the intended purposes, the financing agreements would contain relevant and bespoke conditions precedents, covenants, furnishing of information clauses, on a project-by-project basis.

5. Capacity building private sector clients

The EBRD can support private sector Clients with enhancing their corporate procurement arrangements to meet good international practices in procurement, which in turn facilitates transition. If private sector Clients are interested in enhancing their corporate procurement arrangements, the EBRD may be able to assist with engaging independent consultants or institutions that promote industry standards and good international practices in this respect.

Note on the EBRD approach in relation to private sector procurement

Five Bank Street
London E14 4BG
United Kingdom
www.ebrd.com

EBRD contacts

European Bank for Reconstruction and Development
Five Bank Street, London
E14 4BG
United Kingdom

Switchboard/central contact
Tel: +44 20 7338 6000

Information requests
For requests and enquiries, please go to
www.ebrd.com/inforequest

Environmental and social enquiries
Tel: +44 20 7338 7158
Email: environmentandsocial@ebrd.com

Civil Society Engagement Unit
Tel: +44 20 7338 7912
Email: cso@ebrd.com

Independent Project Accountability Mechanism
Tel: +44 20 7338 7813
Email: ipam@ebrd.com

Project enquiries
Tel: +44 20 7338 7168
Email: projectenquiries@ebrd.com

Project Procurement Department
+44 20 7338 6000
Email: procurement@ebrd.com

www.ebrd.com