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Guest Post: Afghanistan's Radical—and So-Far-Surprisingly Successful—Public Procurement Reforms

Posted on **March 8, 2018** by **Matthew Stephenson**

Today's guest post is co-authored by frequent GAB guest contributor Mark Pyman, Senior Fellow at the London Institute for Statecraft and former Commissioner of the Afghanistan Joint Independent Anti-Corruption Monitoring and Evaluation Committee, together with Sohail Kaakar of the Afghanistan National Procurement Authority.

Afghanistan may be one of the most corrupt countries in the world, but it is also where some of the world's most innovative anticorruption solutions are being implemented. Case in point: Afghanistan's reforms to its public procurement system.

In Afghanistan, government procurement accounts for 19% of GDP and almost 50% of the national budget. However, procurement corruption has long been endemic, with many figures taking large cuts from almost every contract, and many contracts being little more than money-extraction schemes. But in 2015—at a critical juncture, when Afghanistan's government was faced with unprecedented public pressure due to insecurity, recession, withdrawal of international troops—the government adopted significant reforms to its procurement system in order to curb corruption and improve government performance. (The immediate catalyst for the reform was a particularly corrupt military fuel contract, but the reforms go well beyond addressing this one incident.)

After a brief review of alternatives, the Afghan government decided on a radical reform based on a single regulatory body and a centralized procurement system.

At the apex of this system is the [National Procurement Commission](#) (NPC). The NPC is chaired by the President of Afghanistan, with membership of the Chief Executive Officer, the Second Vice President, and the Ministers of Finance, Justice and Economy, together with the President's Senior Advisor on Infrastructure Affairs. Also in attendance as observers are civil society, SIGAR (the US watchdog on US spending in Afghanistan), and NATO's Resolute Support Mission. Under the NPC is the National Procurement Authority (NPA), located within the Administrative Office of the President. The NPA is the "engine" of the procurement system; its skilled team (currently around 280 staffers) links with the Procurement Departments in every Ministry, which are responsible for the administering the tender process.

All contracts above minimum levels must be approved by the NPC. (The levels vary by type of contract; they are approximately \$1.5 million construction, \$600,000 for services, and \$300,000 goods; the limits are doubled if international companies are tendering.) These limits correspond roughly to the 80:20 rule, in that contracts above these levels cover 80% of the value of contracts, but correspond to only 20% of the total number of contracts. (Smaller contracts remain the responsibility of the Ministries.) The NPA and the Ministry procurement teams go through a back-and-forth process (with strictly controlled time allowances for each iteration) in order to get each tender to the point where the NPA agrees that the contract can be put up to NPC for approval. The NPC's members (including the President himself) then personally review each contract and collectively decide whether to approve or reject them at a weekly meeting (which usually lasts for 2-3 hours); the NPC approves typically about 10 contracts per meeting. All the decisions of the NPC are made public. The NPC has reviewed nearly 3,000 contracts, worth nearly \$6 billion, and approved most but not all of them. 88% of the contracts have been won through open tendering, 10% through restricted bidding, and 2% through single source. 145 fraudulent companies have been debarred.

This structure is quite remarkable for several reasons. Running a disciplined tender approval process is very hard work, even in sophisticated modern corporations. Keeping to a tight timetable requires immense discipline. It is remarkable that Afghanistan's whole government procurement machine—above the threshold level—is running through this system, particularly given the enormous commitment of time by the senior leadership. These leaders are also facing significant pushback from those whose interests are threatened by the creation of such a large "Island of Integrity"; indeed, accusations of corruption being flung back at the NPC and NPA in an attempt to undermine them. Moreover, a very different work culture is needed to run such a system. This is most noticeable in the NPA, which has harnessed the aspirations of young generation to work with increased efficiency and transparency to make a difference.

How effective is this new system in reducing procurement corruption? Even the most optimistic would concede that the reforms haven't eliminated procurement corruption, given how deep-rooted corruption is in Individual procurement departments, and the practical inability of the NPC and NPA to uncover all corruption in all contracts. Nevertheless, the reforms appear to be paying off; current estimates suggest that it may have saved the government approximately \$300 million, and several independent evaluations, currently underway, may provide a more thorough and rigorous assessment of how the reform is working. While we all know how easily reforms can be subverted, and there is of course always a risk that a powerful centralized system could be captured by corrupt actors, for now it seems that Afghanistan has achieved a remarkable success, one that many developed countries and large multinational companies would be pleased to emulate.

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About Matthew Stephenson

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Naser Timory

on **March 9, 2018 at 9:35 am** said:

An excellent piece and Afghan procurement reform is indeed commendable. The serious weakness of above threshold contracts is that they are not being implemented with similar rigorous process as bidding and awarding process. The other issue may be the vulnerability of political influence in the awarding process by senior politicians. "It is not a good idea to bring politicians and companies so close to one another." These two and horizontal and vertical expansion of procurement reform could be the next phases of reform.



Sohail kaakar

on **March 10, 2018 at 4:02 am** said:

Thank you Mr. Timory. Post- award implementation is key to focus and mobilize capacity. The other key area is how one creates, maintains and sustains "Institutional Integrity" via making the system as corruption resistant as possible so that the door for "Closeness" gets closed. The reform is still half way down the road with much more to be done ofcourse.



Farhad Farewar

on **March 31, 2018 at 1:46 pm** said:

Estimated USD300,000,000 in saving due to applying anti

corruption measures is remarkable. However, we could do more by continuing reform in procurement departments and remembering that our law enforcement entities requires massive change. These two entities should go clear of all forms of corruptions including nepotism and cronyism. By bringing honest people on board and making them risk averse, we increase the probability of corrupts being caught by and honest and by proper enforcement of law not only we make majority risk averse but win the community trust.

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