



NPC & NPA Annual Report Synopsis (Fiscal Year 2017)

Preface

The 2017 fiscal year's report on activities and achievements of the National Procurement Commission (NPC) and the National Procurement Authority (NPA) encompasses of the progress outcomes in awarding of above threshold contracts ministries and procurement entities (PEs) and also realizing the strategic goals set for in the reforming the procurement system to strengthen efficiency, transparency, accountability, and to prevent of the wastage or misuse of public resources through fair competition and increased compliance.

In addition, in FY 2017, the NPC and NPA further extended efforts for greater access to procurement information and contracting process, as well as enhancing the importance of public procurement as an effective means of using the national budget, implementation of broader government objectives and policies via development projects and executing public procurement as a tangible element for economic and social development of Afghan citizens.

As per the data, figures, and statistics presented in the report, the 2017 fiscal year, which was actually the third year of the procurement reform process, produced more results building onto accomplishments of 2015 and 2016. Increased compliance increased in tax compliance by companies as a result of legislating the policy of compulsory tax clearance in the bidding processes, prevention of misuse or wastage of about 166 million USD due to the difference between the estimated and actual cost of the contracts approved by the NPC, and increased efficiency in procurement process of the developmental projects such as roads, railways, electricity transmission lines, hospitals, and in particular reinitiating a number of projects that had been stalled for several years, fundamental change and institutionalization of the human resource capacities of new procurement cadre at the ministries through implementation of mass recruitment of 700 positions of the civil service staff of procurement, and finally further breakage the of the economic mafia, corruption networks and curtailing of the corruption prone streams, can be cited as examples of the desirable results of the NPC and NPA efforts in 2017.

Moreover, the role of civil society, national and international observers continued to be a key part of observations of the NPC meetings combined with increased information sharing, awareness and reporting by NPA.

Furthermore, a number of observers positively reflected the role of the NPA in pacing toward the reform and its anti-corruption objectives through their publication. For instance, Special Inspector General for Afghanistan Reconstruction (SIGAR) and the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) in their 2017 reports have touched upon the procurement reform achievements of the NPC and NPA and reflected the positive effects of their role. for

On the other hand, there is no doubt that transforming of public procurement system continues to face various internal and external challenges; therefore, FY 2017 was not short of challenges, such as various attempts by corrupted circles to misuse the procurement processes in their favors, as well as efforts by corrupt elements to sabotage the reputation of NPC and NPA were noticed as external challenges.

Meanwhile, internal challenges and shortcomings still exist at different levels of the procurement system as a whole. The unrealistic planning of projects in the procurement plans by ministries, the non-standard cost estimation, lack of procurement professional human resources at the ministerial and organizational level, unethical market and lack of capacity at the private sector level, and inefficient capacity in managing the approved projects by NPC in the implementation stage and a lack of sense of accountability and reluctance of credible international companies to participate in tendering processes were marked as some of the systemic challenges that need to be addressed.

The 2018 fiscal year has begun and the procurement reform process and anti-corruption activities will continue to be intensified and strengthened during this year. The new initiatives and policy of the National Unity Government regarding the public contracts, the mining contracts, public and private partnerships, and improving their procurement processes in terms of compliance, transparency and value for money are newly incorporated objectives in procurement reform strategy. Structural and systematic reforms continue to focus on increasing the effectiveness of the processes in terms of technical and professional capacity, accountability and monitoring. Besides, in the anti-corruption sphere, greater collaboration will be created with judiciary, legislative and civil society entities to further expand the reformist network & coalition for reform in the light of guiding and key focus areas of the Afghan Government Anti-Corruption Strategy.

In conclusion, I would like to express my sincere gratitude to H.E. President of Islamic Republic of Afghanistan, H.E. the Chief Executive of the National Unity Government, H.E. the Second Vice-President, the Ministers and members of the National Procurement Commission and all our stakeholders and supporters for their candid supports and assistance to us. Our commitment to the noble people of Afghanistan is once again to give assurance to them that NPA is strongly dedicated to continue to make efforts to implement the reform and curb corruption in order to prevent the plundering of public resources that actually belong to each and every citizen of Afghanistan.

With kind regards,

Dip. Eng. Alham Omar Hotaki

CEO

National Procurement Authority

NPA FY 2017 Annual Report Synopsis

This report focuses on the performance and activities of the National Procurement Commission (NPC) and National Procurement Authority (NPA) during the 2017 fiscal year, which are summarized as follows:

1. National Procurement Commission (NPC)

The National Procurement Commission (NPC) held 51 weekly meetings, and reviewed 806 cases worth 2.62 billion USD.

2. Contract Award Review and Approvals:

Over all 806 cases were proposed to NPC, of which 552 projects were for project award and resulted in approval of 456 of them, 58 projects were returned for further assessment and completion of package and 38 other projects were rejected.

3. Contract Amendments:

147 amendments cases with the total value of 170 million USD were proposed to NPC for a decision and as a result:

- ✓ 129 cases were approved
- ✓ 12 projects returned
- ✓ 6 projects rejected

| The returned projects in 2017 fiscal year | | | |
|---|------------------|-----------------|-----------------|
| Number and worth of the projects in USD | The NPC decision | | |
| | Approved | Returned | Rejected |
| 147 Projects | 129 | 12 | 6 |
| Total worth 170 million USD | 163 million USD | 2.8 million USD | 4.6 million USD |



138 session of the National Procurement Commission

| The reviewed projects by NPC in 2017 fiscal year | | |
|--|--------------------|------------------|
| Project type | Number of Projects | Worth in USD |
| Total projects | 806 | 2.62Billion USD |
| Approved contracts | 552 | 2.42 Billion USD |
| Returned contracts | 147 | 170 million USD |
| Miscellaneous Requests | 107 | 33.1million USD |

| The reviewed projects by NPC in 2017 fiscal year based on type | | |
|--|--------------------|-------------------------|
| Project type | Number of Projects | Worth in USD |
| Works | 257 | 1.16 Billion USD |
| Goods | 313 | 426.2 Million USD |
| Consultancy Service | 124 | 334 Million USD |
| Non-Consultancy Service | 107 | 782.6 Million USD |
| Miscellaneous Request | 5 | 0 |
| Total | 806 | 2.63 Billion USD |

| The approved projects in 2017 fiscal year | | | |
|---|------------------|--------------|---------------|
| Number and worth of the projects in USD | The NPC decision | | |
| | Approved | Returned | Rejected |
| 552 Projects | 456 | 58 | 38 |
| Total Worth 2.42 Billion | 2.16 Billion | 85.6 Million | 176.8 Million |



The future development of Afghanistan depends on transparent procurement.

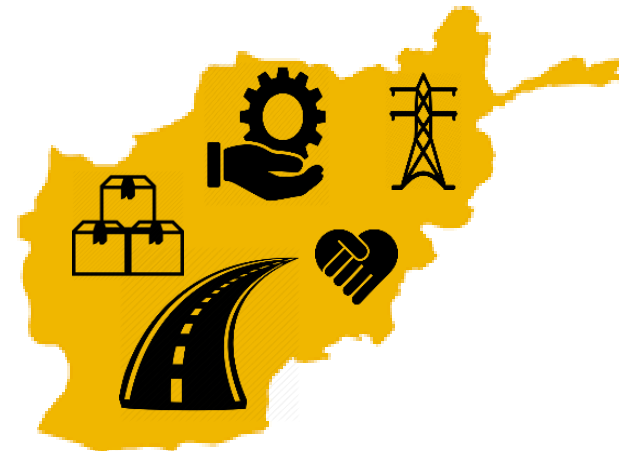


International observers (SIGAR & CSTCA) at NPC sessions

4) Miscellaneous Cases:

107 miscellaneous requests of different types of cases (Award, amendment, procurement proceedings, contract termination, assessment reports...etc.) were submitted to the NPC by various ministries and procurement entities for the decision which after the commission's review, 76 requests were approved, 24 were returned, and 7 projects were rejected.

| The miscellaneous requests in 2017 fiscal year | | | |
|--|------------------|----------|----------|
| Total projects | The NPC decision | | |
| | Approved | Returned | Rejected |
| 107 | 76 | 24 | 7 |



5) Total Reviewed Projects by NPC:

- ✓ 806 cases proposed
- ✓ 661 projects approved
- ✓ 94 projects returned
- ✓ 51 projects rejected

It is worth mentioning that of the 94 returned projects, 72 of them after the completion of the criteria have been referred to the NPC for further decision on them and only 22 returned cases have been carried over to FY 2017.

| The total reviewed projects in 2017 fiscal year | | | |
|---|-------------------|----------|----------|
| Total projects | NPC decision | | |
| | Approved | Returned | Rejected |
| 806 | 661 | 94 | 51 |
| Total worth | 262.5 Billion USD | | |



H.E. Mohamad Ashraf Ghani the President of Afghanistan in NPC session

6. Savings and Prevention of Misuse & Wastage:

The implementation of the procurement reform process; review and securitizing on the major national projects has led to saving of 160.8 million USD in 2017 fiscal year, with consideration of the difference between the actual and estimated price of the awarded projects by the NPC and preventing of public resource from wastage and misuses. It is worth mentioning that total savings for the past 3 years of reform is approx. 426 million USD.

| The saved money from procurement reform | | |
|---|-------------------|-------------------------|
| Until 2016 fiscal year | 2017 fiscal year | Total Over 3 past years |
| 265.2 Million USD | 160.8 Million USD | 426 Million USD |

7. Observers at NPC:

The presence of observers and monitoring of the process is one of the basic elements and principles of transparency in the National Procurement Commission. Therefore, the principle of supervision during the fiscal year was developed and strengthened. The observers of the NPC meetings were including Finance and Budget Commissions of the Parliament, Parliamentary Anti-Corruption Caucus, the Special Inspector General for Afghanistan Reconstruction (SIGAR), the Combined Security Transition Command for Afghanistan- CSTC-A of the Resolute Support, the Integrity Watch Afghanistan (IWA) and Anti-Corruption Network.



The representatives of civil society and parliament members are observing the NPC session

8. Planned Projects in Procurement Plans of Ministries:

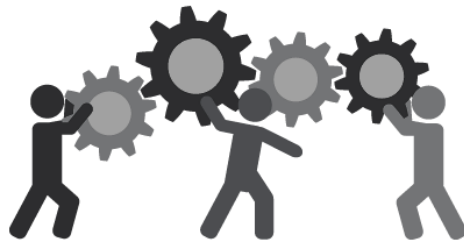
A total of 4945 projects were considered to be implemented all over the Afghanistan during 2017 fiscal year, with a total value of 6.01 Billion USD. 1017 of these projects were above thresholds and 806 of them were presented to NPC for review.

The projects involved in procurement plan 2017 fiscal year

| Total projects | Total worth |
|----------------|------------------|
| 4,945 | 6.01 Billion USD |

9. Providing Procurement Facilitation:

192 projects worth more than 1.39 billion USD were facilitated by Procurement Facilitation Directorate of NPA. Over the past three years, the total number of facilitated projects has reached to 464 and with the total value of about 2 billion USD. It should be noted that procurement facilitation is only provided for those procurement entities that are not certified. Facilitation consists of assisting in preparation of standard bid documents, bid announcements, bid openings and review bid evaluation reports.



Facilitated projects by NPA

| Facilitated projects in 2017 | Total Worth |
|------------------------------|------------------|
| 192 | 1.39 Billion USD |



Bid opening process in NPA's office

10. Debarment of Fraudulent Companies:

The debarment committee has debarred a total of 38 different companies from participating in bidding processes in different period of times. As a result of the committee's review over the past three years, a total of 133 companies have been included in the debarment list. It should be noted that about 3.52 million USD of the bid deposit of the debarred companies has been seized and their cases have been sent to the judicial authorities. The collusion, deception and failure to comply the contractual obligations and criteria are the main reasons for debarment of these companies.

| The debarments statistics | | |
|--|----------------------|------------------|
| 2017 fiscal year | Over 3 past years | |
| 38 company | 133 Company | |
| The record of confiscate guarantee of the debarred companies | | |
| Euro | USD | Afs |
| 450000€ | About \$ 2.6 Million | 23 Million Afs |
| Total in USD | | 3.52 Million USD |



If you fake, you will be debarred from procurement process.

11. Addressing the bidders' complaints (Bid Protests):

The Administrative Review Committee (ARC) has received and reviewed 263 case of complaints from different companies and procurement entities, of which 52 cases were found valid case, 40 cases have been pursued, and 12 of them were yet to be made a decided on. Over the past three years, a total of 638 complaints have been addressed to the committee, which the necessary actions have carried out in this respect.

12. Contract Progress Implementation Monitoring

Specific trainings programs were held to promote the culture of effectiveness and optimizing the monitoring system utilization for 59 procurement entities.

The NPA facilitated the data entry of 1870 approved projects of 32 procurement entities in PMIS.

13. Capacity Development of Procurement Professional Cadre:

The cadre department continued working on standardizing the procurement structures of PEs. It is worth mentioning that cadre department in coordination with Department of State Affairs and Administration of the General Directorate of Administrative Office of the President of the IRA and IARCSC in close collaboration with the respective PEs has standardized the organizational structures of 52 PEs so far, which were then approved by the relevant authorities. Similarly, the TORs for 52 PEs were prepared in coordination with the above mentioned authorities. The organizational structures and TORs for the remaining PEs are currently under process.



NPA and IARCSC officials meeting with government spokesperson about mass recruitment.



NPA officials meeting with Resolute Support representatives

Mass Recruitment:

Based on Resolution No. 9 of the Islamic Republic of Afghanistan (IRA) on the 13/5/1395 the National Procurement Authority (NPA) in coordination with Department of State Affairs and Administration of the General Directorate of Administrative Office of the President of the IRA and the Independent Administrative Reform and Civil Service Commission (IARCSC) in close collaboration with the respective Procuring Entities (PEs) reviewed and standardized the organizational structures of 49 PEs which were then approved by H. E the President. Afterwards, the TORs for 42 PEs were reviewed in coordination with the above mentioned authorities prior to being approved by IARCSC. Based on decree No. 1160 of the IRA dated 30/3/1396 on mass exams and the process of recruiting civil servants to implement reform and improve capacity, appoint the right people for the right jobs and expedite the recruitment process in ministries and other government institutions, the IARCSC being the lead for this process and in collaboration with NPA and other PEs announced a number of 697 posts inviting candidates to apply using the online system. The positions were advertised in the local language with good coverage in media. IARCSC was the lead for the process and NPA was key player in the process. More than 34000 applications were received and more than 8000 applicants appeared for biometrics and exam. IARCSC is currently working to collect required documents from successful candidates and further conduct interviews of Director level positions. Additionally, cadre department actively participated in the special committee meetings on mass recruitment of procurement staff held at IARCSC. Cadre department developed a draft guideline for transition of newly recruited employees to the PEs.



The shortlisted candidates are waiting for procurement exams in Kabul University.

Strategic Communication and Integrity:

Transparency and strategic communication are the legal and key principles in the procurement system of the country. In addition, the NPA is committed to the values of the international charters to ensure the integrity and transparency in procurement system.

The main objective in ensuring transparency in the procurement process and strengthening of the strategic communications with the national and international organizations are to enhance and improve the procurement reform and procurement system and spread of awareness regarding the activities and achievements of the NPC and NPA at the national and international level.

In FY 2017 the SCID has worked in the field of Vulnerability and Capacity Assessment(VCA) of the procurement law and procedures from corruption perspective, Institutionalizing the Culture of Professional Behavior and code of conduct in the procurement atmosphere, addressing comments and feedbacks (Hotline Mechanism), strengthening the strategic communications, promoting the rule of law by establishing of an internal compliance mechanisms, reflecting the report of the NPC, monitoring the publication of reports, news and discussions on procurement reform and system in the mass media, accountability and responsiveness, raising public awareness on procurement reforms, taking part and active participation in exhibitions, installing of the bulletin boards in procurement entities, are some other impressive activities of SCID.



NPA signed MoU with Kabul Polytechnic University



NPA's booth in one of the exhibitions in Kabul

Internship Programs:

The new generation also known as the technology generation or reformists, has a tremendous capacity to operate and to be pioneer in continues reform. Hence, the NPA has always tried to utilize the available facilities to regulate and shape the new generation's via involving them in procurement system, not only by providing a vocational training, but also to introduce the procurement as a professional and vocational field to them. To attain this goal, in FY 2017 the NPA has trained 54 individuals from public and private university graduates, in its internship programs and trained them in various level in procurement reform, technical, vocational, and administrative fields.





“The beneficial ownership of the companies must be declared.”

H.E. Mohammad Ashraf Ghani, President of the Islamic Republic of Afghanistan

