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BACKGROUND

NATO AFGHAN FIRST POLICY

- Promoting sustainable economic development in Afghanistan is essential to support Afghanistan's transition to durable stability and security. Recognizing NATO-ISAF's potential to further stimulate the Afghan economy, NATO Foreign Ministers, in consultation with their ISAF partners, have noted the launch of an NATO Afghan First policy and measures aimed at increasing procurement of local goods and services and allow for fair and equal opportunities for Afghan companies and employees to take part in ISAF business activities in Afghanistan.
- The NATO *Afghan First* Policy draws on the assessment of the economic impact of ISAF on Afghanistan, conducted by NATO Headquarters in close collaboration with the Government of the Islamic Republic of Afghanistan, UNAMA and other main key stakeholders.
- The NATO *Afghan First* Policy invites NATO Allies and partners to consider adjustments to their practices towards simplified bidding and contracting procedures. The most important measure is the granting of automatic waivers to qualified and certified Afghan firms to preposition them as prime competitors in NATO-ISAF bidding processes. The Policy also suggests the improvement of reporting procedures regarding the number and value of contracts with local companies and support for Afghan vocational capacity-building towards the achievement of international quality standards.
- The NATO Afghan First Policy takes due note of risks to security, costs, quality and timely delivery, as well as good governance, bearing in mind the responsibility to deliver ISAF operational requirements in a timely and cost-effective manner.
- Spending *in* Afghanistan rather than *on* Afghanistan is the core message of the NATO *Afghan First* Policy. Without increasing funding but by reorienting resources towards the Afghan private sector, NATO and ISAF Troop Contributing Nations can help create jobs, build economic capacities, encourage the development of infrastructure and generate tax revenue to support the delivery of services to the people of Afghanistan. Reciprocally, national experience acquired to date demonstrates that local procurement often provides best value for money, and contributes to the reduction of transit times, purchase prices, as well as the release of transport assets for other supply operations.
- The NATO Afghan First Policy will be trialed for two years, following which it will undergo further review and adjustment as appropriate.
- This effort is in line with the International Community's commitment to improve the quality, effectiveness and coherence of aid delivery to Afghanistan, through its support to the Afghan Integrated Economic Development Plan approved at the International Conference on Afghanistan, held in London on 28 January 2010. It is part of a wide

range of other initiatives carried out under the umbrella of UNAMA leadership on civilian assistance.

- Increasing local procurement needs to be underpinned by sustained efforts by the Afghan Government to reduce corruption, improve, banking systems and financial and oversight mechanisms.

KEY FACTS AND FIGURES

- NATO/ISAF is the single largest spender in Afghanistan. It has a large potential to increase its positive impact on the local economy: increasing local spending by 10% would generate an additional growth of the Afghan GDP by at least 5%.
- NATO and Troop Contributing Nations do procure locally, but few have a formal local procurement policy and there are large differences in the level of local procurement.
- In 2008, 12 nations, representing 70% of ISAF troop contributions, spent more than \$12 billion in support of ISAF. This amount is close to the estimated Afghan GDP. However, only \$83 million of the total \$662 million NATO common funded expenditure was spent locally (=13%) and it is estimated that the level of ISAF TCNs' local spending in 2008 varied between 1% and 30%.
- National experiences demonstrate the benefits of local procurement:
 - The United Kingdom has spent 7.28 million GBP in local contracts between April 2009 and January 2010 and employed over 2 300 Afghans, which represents \$2.94 million to the Afghan economy per annum.
 - From 2005 to 2009, the US Government employed over 20,000 Afghans and procured more than \$4 billion worth of local goods and services. For the fiscal year 2009 (to date), over \$79.9 million in CERP¹ projects have been spent by Regional Contracting Centers and 100% of contracts went to Afghan companies.

¹ Commander Emergency Relief Program – US program