

Preface

Introduction

The Transport Sector Review (TSR) was proposed by a Joint World Bank/ADB/donor mission in March 2002. The purpose of the TSR was to prepare an overall vision and development strategy for the sector (covering aviation, roads, road transport and road traffic), consistent with the policies and development framework of the Transitional Islamic State of Afghanistan (TISA). It would examine transport from a national perspective, and form the basis upon which ATA would formulate transport policies, restructure and integrate sector institutions, and formulate projects for development of the transport sector in the short to medium term.

The TISA subsequently requested assistance from the Swedish International Development Cooperation Agency (Sida) to finance the TSR. The Asian Development Bank also decided to provide consultancy services to assist with the preparation of the TSR

This is the report on the Transport Sector Review. It has been drafted by consultants, during the period October 2002 to October 2003, subject to the guidance of the Steering Committee for the Transport Sector Review, and was approved in January 2004. The Membership of the Steering Committee is at Annex 1 to this preface.

The Terms of Reference (TOR) for the TSR are at Annex 2. The TOR stipulated that the work be done in two phases. The outputs of these two phases, which coincide with the main structure of this report, are as follows:

1. *Policy Statement for the Transport Sector*
2. *Background Document to the Policy Statement*
3. *Action Plan*

The two first outputs are mainly a result of the first phase, whilst the *Action Plan* is an output of the second phase.

The *Policy Statement* may be seen as a proposal for an Indicative Transport Policy for Afghanistan. It has a time perspective of 10 to 15 years. It focuses on policy, and institutional and capacity building issues in road traffic and transport, roads and civil aviation. The main clients are the Ministry of Transport, Ministry of Public Works, and the Ministry of Civil Aviation and Tourism.

The background to this *Policy Statement* is set out in the *Background Document*. The Background Document also contains the main recommendations of the Transport Sector Review which are then elaborated upon in the *Action Plan*.

The *Action Plan* may be seen to represent the actions to be taken during the next 5 years (2003-2008) in order to effect the first phase of the vision for the transport sector as formulated by the *Policy Statement for the Transport Sector*. The *Action Plan* has been prepared based on instructions from the Steering Committee, given at its meeting on 7 April 2003. As provided for in the TOR (Annex 2 to this Preface), these instructions in effect

replace the original TOR for Phase 2 of the TSR. A copy of the decision of the Steering Committee on 7 April is at Annex 2 to the *Background Document*.

Reading Suggestions

This complete TSR report is a bulky document. It consists, however, of modules. The main document is the *Policy Statement* which is a stand-alone document. Further information about the policies contained in the *Policy Statement* is to be found in the *Background Document*. The *Background Document* has a comprehensive table of contents.

The *Action Plan* comprises a number of stand alone documents corresponding to each recommendation made at the end of the first phase of the TSR. There are altogether 23 such documents, including

- 7 for road traffic and transport
- 5 for roads
- 7 for civil aviation
- 4 for cross-cutting themes

referred to as either

- A policy paper
- A consultation paper
- An information paper.

These papers have been written so as to be of use in the government's decision making process. Each paper in the Action Plan consists of about 5 to 10 pages, with a 1 to 1½ page executive summary. A policy paper contains recommendations requiring action at cabinet level or similar. A consultation paper contains a recommendation on which the management of a ministry can act. An information paper is for information only.

The Action Plan includes an *Introduction and Summary*. It sets out in condensed format the technical assistance projects proposed in order to be able to implement the recommendations of the Action Plan. There are also 4 *Overview* documents, which contain brief presentations of the Action Plan for the four subject areas, viz. road traffic and transport, roads, civil aviation and cross-cutting themes. Further details are in the Action Plan part of this Report.

Dari Version of the Final Report

Parts of the final report have been translated into Dari, and are available in a separate volume. These parts are as follows:

- This Preface (except its annexes)
- The Policy Statement for the Transport Sector
- Summary of the Recommendations in the Background Document and the Outline Action Plan (Table 7.1 in the Background Document).
- Action Plan; Introduction and Summary (except its annexes)
- Overview; Road Traffic and Transport

- Overview; Roads (except annexes)
- Overview; Civil Aviation (except annexes)
- Overview; Cross-cutting Themes
- All executive summaries of the 23 policy, consultation and information papers.

ANNEX 1: Members of the Steering Committee for the Transport Sector Review

Ministry of Civil Aviation and Tourism

Engr. Raz Mohammad Alami (Technical Deputy Minister)
Abdul Rashid Qaderi (President Planning), later replaced by M. Yaqub Rassoli (President Planning)

Ministry of Transport

Dr. Abdul Hadi Mohsini (Deputy Minister) (Chairperson, Steering Committee)
Mohammad Ramazan Shafaq (President Planning)

Ministry of Public Works

Dr. Mohammad Yaqoob (Deputy Minister)
Engr. Sayed Hassan Shah (Technical Advisor)

Ministry of Urban Development and Housing

Engr. Hashmatullah, Road Department
Engr. Mohammad Hassan, Road Department

Ministry of Reconstruction

Mir Akbar Zahir and later Eng. Adbul Rahman

Ministry of Planning

Sayed Ziauddin, President, Industries and Communication Sector

Ministry of Finance

Sayed Farhad Bahar (Director of Budget Department), and later Abdul Wahib Shaibee

Afghan Assistance Coordination Authority (AACCA)/Afghanistan Reconstruction and Development Services (ARDS)

Mhammad Qaseem Naimi (Technical Advisor)(Deputy Chairperson, Steering Committee), subsequently replaced by Malik Mortaza (Director).

ANNEX 2:

**AFGHANISTAN
AFGHAN TRANSITIONAL ADMINISTRATION**

Transport Sector Review

TERMS OF REFERENCE – final version (02/09/02)

Background

1. More than two decade of conflict and three years of drought have led to widespread human suffering and massive displacement of people in Afghanistan (AFG). The prolonged state of conflict has also resulted in large-scale deterioration of the transport infrastructure, depletion of skilled manpower and weakening of the capacity for managing the transport sector, including its public institutions. The Ministry of Public Works (MPW) is currently responsible for operations and maintenance of the national roads, in addition to housing, water supply and city planning. It is also involved in the maintenance of airport pavements and the management of several state-owned construction units for housing, roads and airports. The Ministry of Transport (MOT) manages the government-owned vehicle fleet and regulates the private sector transport industry, including international transport operations. The Ministry of Civil Aviation and Tourism (MCAT) is responsible for the management of the national airline (Ariana Afghan Airline), airports and the air navigation system, as well as a number of hotels.

2. The Afghan Interim Administration (AIA) was established as a consequence of the political process in Bonn, Germany, and took power on 22 December 2001. The AIA has been tasked with preparing the way to convene an emergency *loya girga* within 6 months. The *loya girga* will lead to the establishment of a transitional administration (ATA) and then to the holding of elections within a period of 2 years.

3. The AIA has requested assistance from the Swedish International Development Cooperation Agency (Sida) to finance a review of the transport sector in AFG. The Transport Sector Review (TSR) was proposed by a Joint World Bank/ADB mission in March 2002 (see Aide Memoire: Afghanistan Transport Sector; Joint Donor Mission, 13 March 2002) to initiate a process towards strengthening transport sector management in order to improve efficiency, improve rural accessibility, address isolation of communities, upgrade inter-urban and urban transport infrastructure and services, and facilitate trade, returning refugees and humanitarian aid.

4. The TSR is intended to prepare an overall vision and development strategy for the sector (covering aviation, roads, road transport and road traffic), consistent with the overall policies and development framework of the AIA/ATA. The study will examine transport from a national perspective. Priorities will be formulated for each transport sub-sector, in an integrated manner using a multi-sectoral framework consistent with how AIA/ATA is addressing development strategies in other sectors. Policies will be formulated both for the domestic transport scene as well as international transport operations. The TSR is to form the basis upon which AIA/ATA will revise transport policies, restructure and

integrate sector institutions, and formulate projects for development of the transport sector in the short to medium term.

5. The development strategy will include a five-year program of prioritised actions and investments critical for development of the transport sector in AFG. Investments will comprise both capital and technical assistance projects for institution-building purposes. The five-year transport development strategy, as well as estimates of project costs, where applicable, will be prepared in order that funding targets may be set and a financing plan can be prepared.

6. In order to assist with the implementation of the TSR, AIA/ATA requires professional consulting services, and therefore wishes to recruit an experienced consulting firm (the Consultant). Sida will be responsible for the recruitment of the Consultant. The AIA/ATA will be responsible for executing the TSR, and has for this purpose set up a Steering Committee to provide guidance to the Consultant (see the Annex).

Objectives

7. The overall objective of the TSR is to stimulate economic growth, reduce poverty and facilitate return and integration of displaced people in rural and urban communities. Specific TSR study objectives include: (1) prepare sectoral policies; (2) recommend institutional restructuring consistent with AIA/ATA overall policies; (3) review service delivery and role of force account and public corporations in transport; (4) propose a prioritised plan of action for the next five years; (5) provide information, necessary for decision-making regarding identification and estimation of costs for priority development projects; (6) develop priority investment project proposals; and (7) prepare technical assistance proposal(s) for implementation of the sector strategy and institutional strengthening of concerned authorities.

Phasing of the Scope of Work

8. The scope of work will be undertaken in two distinct phases. Phase 1 -- the policy formulation stage -- will cover task A under the Scope of Work, whilst Phase 2 will cover the strategy including actions and projects, i.e. tasks B to F. The details of tasks B to F are tentative at this stage and will be confirmed at the end of Phase 1.

9. The purpose of Phase 1 is to formulate an (indicative) transport policy for AFG. It will identify essential dimensions of the sectoral policy, such as policies in respect of international transport operations, the role of the private sector, the role of the public sector, and the institutional arrangements in the public sector, including the role of the central government vis-à-vis local governments in this regard. The first phase will result in a policy document, which will also include an outline action plan setting out key actions (e.g. legal actions) and a timetable to give effect to the policies. A first draft of this document will initially be presented at a workshop involving policy makers, senior staff of the concerned ministries and authorities, private sector/stakeholder group representatives, and other agencies. A second version -- taking into account the outcome of the seminar -- will be reviewed by designated representatives of the AIA/ATA. Once the policy document has been

accepted by the designated representatives of AIA/ATA, the scope of work under tasks B to F will be reviewed and finally decided on by the Steering Committee.

10. The purpose of Phase 2 is to prepare the strategy for achieving the identified transport policy, comprising a detailed action plan, an identification of responsibilities and methods of implementation. Where appropriate and relevant, the proposed strategies will be translated into high-priority institution-building and capital investment programmes, including where relevant and applicable, budgets for operations (infrastructure, public institutions and ministries).

Scope of Work

11. The Scope of Work consists of six main tasks including a number of sub-tasks. As mentioned, the details of tasks B to F are still to be confirmed. Where not specifically mentioned and where relevant, it is expected that a number of cross-cutting themes will be addressed, including:

- the role of the private sector
- governance i.e. aspects related to accountability for performance with respect to project/programme implementation as well as the operations of public agencies
- gender, including with respect to access and isolation
- poverty, i.e. how specific actions and projects to will contribute to alleviation of poverty. Efforts shall be made to identify specific interventions such as rural access improvement programmes to address poverty in rural areas.

A. National Sectoral Policy and Key Institutional Reforms

12. This task focuses on transport in general and by sub-sector. It will address the existing legal framework, institutional and managerial arrangements, (sub-) sectoral policies, financing and cost recovery, regulatory framework and organisation of co-ordination and monitoring.

A.1 Review of the current legal framework: This review will include an identification of the laws and regulations of relevance to the transport sector. It will contain an analysis of this legislation, from the point of view of its policy and institutional implications as well as of how operational it is. The review will also cover multilateral and bilateral agreements of relevance to the transport sector, including an analysis of which international conventions of significance to transport operations to which AFG has acceded, and any shortcomings in this regard.

A.2 Overview of the transport sector institutions: This sub-task will furnish an overview of transport sector authorities, including but not necessarily confined to, their roles, functions, responsibilities, and institutional weaknesses and strengths. The purpose is to address the issues/concerns and provide a framework for improved functioning of the sector and sub-sectors. Attention will be given to institutional

capacity to undertake transport sector planning, needs assessments, prioritisation, budgeting and formulation of improvement projects.

A.3 Transport sector policy issues: The focus of this sub-task is to identify the key transport policy issues facing AFG. In addition to reviewing the policy papers and statements made by the Government/local authorities, consultations will be held with the concerned national and local authorities. The objective is to assist the authorities in formulating a transport policy in the national context.

A.4 Sector financing and cost recovery: This sub-task will identify the current commitments and availability of resources (by source) for implementation of on-going and proposed activities for improvement of the transport sector, including performance efficiency of the institutions, provision for operations and maintenance, etc. Income/funding sources will be analysed separately. Appropriate mix of sources, funding types -- including public-private partnerships in transport infrastructure investment, services, and operations and maintenance -- will be addressed.

A.5 Private sector participation: This sub-task will address specific policy issues concerning the potential for increase in private sector participation in transport investments and operation. Based on the assessment, policy options and strategies will be proposed for consideration.

B. Ministry of Transport

13. The government structure in transport may change as a consequence of the policy formulation Phase. However, it is expected that the key role in the sector will be played by an organisation responsible for transport.

B.1 Review of the Ministry of Transport: This will entail a more detailed review of the set-up of the Ministry of Transport than the one undertaken as part of sub-task A.2, including organisation, staffing, operational procedures.

B.2 Proposals for reform: Taking into account the outcome of the policy formulation phase, necessary reforms shall be identified, and a strategy shall be formulated for how to effect these reforms.

B.3 Action plan: The strategy will be translated into a more detailed action plan, setting out timetables, responsibilities and mechanisms. The action plan will consider both what is necessary to continue performing ministerial functions and to implement reforms. An outline of any (legal) changes deemed necessary to effect reforms will be prepared by the Consultant.

B.4 Support projects: A strategy may involve support activities to be financed by donors. Such support activities, to achieve the envisaged reforms, shall be packaged into projects in a format appropriate for consideration by donors. Outline TOR will be drafted by the Consultant, where relevant.

B.5 Budgets and costs: If relevant, a five-year budget shall be prepared for related operation as well as a financing plan, identifying separately local and expected foreign financing.

C. Civil Aviation

14. The arrangements for the operations of civil aviation will likely be changed as a consequence of the policy formulation phase. This task will focus on the future institutions for managing and developing major airports and the air navigation system of the country as well as the institution to be responsible for the regulation of aviation safety and security.

C.1 Review of past and present institutional arrangements: This will entail a more detailed review of the set-up of the institutional arrangements in civil aviation, including Ariana, than the one undertaken as part of sub-task A.2, including organisation, staffing, operational procedures and funding.

C.2 Proposals for reform: Taking into account the outcome of the policy formulation stage, necessary reforms of the civil aviation sector shall be identified, and a strategy shall be formulated for how to effect these reforms.

C.3 Action plan: The strategy will be translated into a more detailed action plan, setting out timetables, responsibilities and mechanisms. The action plan will consider both what is necessary to continue performing functions in the civil aviation sector under current arrangements and to implement reforms. An outline of any legal changes deemed necessary to effect reforms will be prepared by the Consultant.

C.4 Support projects: A strategy will involve support activities to be financed by donors. Such support activities shall be packaged into projects in a format appropriate for consideration by donors. Outline TOR will be drafted by the Consultant, where relevant.

C.5 Operational budgets and financing: If relevant, and taking into account the proposed reform, a five-year budget shall be prepared for the operations of the institutions in the civil aviation sector as well as a financing plan, identifying separately local and expected foreign financing.

C.6 Investment plan and financing: Taking into account previous needs assessments as well as supplementary studies, as well as any reform to be proposed, key capital investment projects for the coming 5 years will be identified and cost estimates prepared. The projects will be formulated in a format appropriate for consideration for donor support. Priority will be given to repairs and investment that could facilitate speedy development of international and domestic flights.

D. The Road Sector

15. The key issues to be reviewed will include both how to build up capacity within a possibly new institutional structure for road management as well as the rehabilitation and upgrading of roads. The road sector covers all roads with the exception of urban streets and roads not part of the national and provincial road network.

D.1 Review of past and current institutional arrangements: This will entail a more detailed review of the set-up of the institutional arrangements in the road sector

than the one undertaken as part of sub-task A.2, including organisation, staffing, operational procedures, performance and funding.

D.2 Proposals for reform: Taking into account the outcome of the policy formulation stage, necessary reforms of the road sector shall be identified, and a strategy shall be formulated for how to effect these reforms.

D.3 Action plan: The strategy will be translated into a more detailed action plan, setting out timetables, responsibilities and mechanisms. The action plan will consider both what is necessary to continue performing functions in the road sector under current arrangements and to implement reforms. An outline of any legal changes deemed necessary to effect reforms will be prepared by the Consultant.

D.4 Support projects: A strategy may involve support activities to be financed by donors. Such support activities shall be packaged into projects in a format appropriate for consideration by donors. Outline TOR, will be drafted by the Consultant, where relevant.

D.5 Operational budgets and financing: A five-year budget shall be prepared for road maintenance and the operations of the institutions in the road sector as well as a financing plan, identifying separately local and expected foreign financing. Strategies to ensure predictable, uninterrupted and adequate funding for road maintenance will be developed and evaluated for consideration. The possibility of establishing a designated “road maintenance fund”, its management and functioning will be also examined.

D.6 Investment plan and financing: Taking into account previous needs assessments as well as supplementary studies and analyses of traffic and road network conditions, key capital investment projects for the coming five years will be identified and cost estimates prepared. The projects will be formulated in a format appropriate for consideration for donor support.

E. Road Transport

16. In AFG public transport system is mainly road based except for a small river transport operation in the North. This task will focus on operational aspects of the transport services management and delivery systems.

E.1 Overview of public transport: The purpose of this sub-task is to provide a general overview of the current public transport service operations system in the country. The sub-task will include reviewing the transport service provisions, (actual) operations, and plans and projects of the local authorities effecting the sector.

E.2 Transport operators: This sub-task will address the functioning and efficiency of transport operators in both public and private sectors. The legal, as well as operations and administrative procedures governing participation of both public and private sector operators in the delivery of transport services (quality and adequacy) will be analysed. Financial and fiscal issues, subsidies, loans, taxes, duties, tariff setting, etc. will be reviewed. Recommendations will be offered to improve quality, efficiency, and adequacy of services by the operators.

E.3 Taxi service industry: This sub-task will address the taxi service industry separately given that the industry plays a major role in meeting the increasing demand for public transport. Regulations pertaining to taxis and their operation will be addressed, taking into account quality, adequacy, reliability, and affordability by the commuters. The optimal role of this industry will be defined, and recommendations will be suggested to achieve this objective.

E.4 Transport authority and international transport operations: This sub-task will examine current functioning (and, practices) of the transport sector regulatory authorities, and evaluate their effectiveness in carrying out their day-to-day responsibilities. Shortcomings in fulfilling the role and functions will be addressed. Taking into account the outcome of the Phase 1 of the TSR, specific recommendations will be made concerning changes in the performance economic regulation of the road transport industry. This sub-task will also cover agreements on and the regulation of international transit and multi-modal transport services, including dry-ports and inland container depots.

F. Road Traffic

17. Road traffic concerns such matters as safety, overload control, licensing and registration.

F.1 Review of road traffic: The Consultant is expected to make an initial review of issues related to road traffic, identify major issues and propose strategies to improve the regulation of road traffic. The Consultant will also identify the need for legal change and prepare an outline of proposed legal changes.

F.2 Support projects: The proposed strategies may involve support activities to be financed by donors. Such support activities shall be packaged into projects consistent with envisaged reform and in a format appropriate for consideration by donors. Outline TOR will be drafted by the Consultant, where relevant.

F.3 Budgets and costs: If relevant, a three-year budget shall be prepared for the operations of organisations involved in the regulation of road traffic as well as a financing plan, identifying separately local and expected foreign financing

Deliverables

18. The Consultant will deliver an Inception Report within four weeks of commencement of the services in the field. This report will be brief and will identify issues related to the TOR and the performance of the services. The deliverables with respect to Task A will comprise (i) an analysis report comprising the overall findings and analysis with respect to sub-tasks A.1 - A.5; and (i) the policy document, with and (outline) action plan (see para. 9)

19. A final draft and a final report will be prepared for each one of the Tasks B-E, and as each task is completed (see further below). The Consultant will also at the end of the assignment assemble all the documentation prepared under the TSR in one Review Report,

with a covering memorandum as guidance to the reader. In the Review Report all high-priority institution-building and capital investment programmes will be compiled into one coherent 5-year programme, with a proposed financing plan.

20. During the second phase, the Consultant is expected to prepare interim reports to be decided on by the Steering Committee in consultation with the Consultant. The purpose of these reports is to speed up the processing of the reports and the acceptance of their proposals.

Consulting Team

21. The Consultant is expected to field a high-calibre team with considerable experience in policy formulation, development and implementation as well as in-depth understanding of institutional change in the public sector including privatisation, and public administration management issues. The first phase will involve two experts for in total about 5 (effective) man-months of foreign consultants.

22. All work will be executed at the highest possible speed. It is expected that the Consultant will draw on his experience when formulating action plans and projects, thereby obviating the need for detailed data collection. The total input of foreign consulting time during the second phase is therefore expected not to exceed 20 (effective) man-months. The expertise required during the second phase will be identified by the Consultant.

23. The Consultant will be assisted whilst working in AFG by three local consultants -- fluent in English -- one lawyer, one economist and one civil engineer. The local consultants will be identified by the Steering Committee, but will become members of the Consultant's team. They are to be seen as counterpart staff but will be funded under the contract. The Consultant will also have to budget for all costs whilst in the field; local office space, will, however, be provided free of charge to the Consultant.

Schedule

24. The schedule below may have to be altered, developed and refined later.

No	Action	Output	Due Date
1.	Recruitment	Effectiveness of Contract	D
2.	Field Work Starts		D+30 calendar days
3.	Inception Report	Inception Report	D+58 calendar days
4.	Workshop 1	1st Draft Policy Document	D+80 calendar days
5.	Government Review	2nd Draft Policy Document	D+95 calendar days
6.	Completion of Phase 1	Final Policy Document and Analysis Report	D+110 calendar days
7.	Commencement of Phase 2		D+120 calendar days
8.	Completion of Phase 2	Final complete TSR Report	D+260 calendar days