

Consultation Paper 1.7

Reform, Restructuring and Strengthening of the Ministry of Transport

Executive Summary

The Background Document includes the recommendation to reform, restructure and strengthen the Ministry of Transport (MOT).

MOT today has two areas of primary responsibility: operation and maintenance of the government-owned fleet of trucks and buses; and the regulation of privately owned commercial vehicles (trucks, buses and taxis). Recommendations made elsewhere in the Action Plan will have an impact on MOT functions and organisation, including:

- the full commercialisation of operations of MOT Kamaz trucks and Millie buses
- economic deregulation of domestic road transport
- the strengthening of technical and safety regulations
- the transfer of matters associated with driver licensing and vehicle registration, currently the responsibility of the Traffic Police Section of the Ministry of Interior, to MOT, and as a consequence
- the transformation of the existing Private Sector Department in MOT into a new Regulation Department.

This Paper proposes a strategy for how to manage these reforms, and also for how to strengthen the MOT, consisting of

- A proposal for how the MOT should be organised during the process and at the end of its reform and restructuring.
- An approach for how to drive the reform and restructuring process
- The provision of capacity to manage the reform and restructuring process.

The approach proposed to be used to reform and restructure MOT is based on the one outlined in Information Paper 4.1. It is repeated in this Paper and adapted to the needs of MOT. The engine of the approach is the *Decree on Priority Reform and Restructuring within Ministries and Government Agencies* (the PRR Decree) explained further in Information Paper 4.1.

The third component of the strategy is to recruit a consulting team to (i) make up the core of the capacity building unit to be established to drive reform and restructuring; and (ii) provide Project Management Support for the implementation of donor funded capital and technical assistance projects.

Recommendations:

It is proposed that the MOT accepts the strategy for reforming, restructuring and strengthening of MOT as set out above.

Actions:

Following acceptance, in principle, of the strategy the next steps would comprise the following:

1. Prepare complete TOR for the team of consultants to assist with the reform, restructuring and strengthening of the MOT as well as to provide project management support
2. Solicit funding for this team of consultants (about USD 1.8 million), and undertake recruitment.
3. Initiate the process for application of PRR-status to be awarded to a new department in the MOT to be called the Reform and Restructuring Office (RRO). This Office would initially be expected to comprise a Capacity Building Unit and a Regulation Unit.

Introduction

This Consultation Paper proposes a strategy for how to manage the reforms proposed elsewhere in the Action Plan, and also for how to strengthen the MOT, consisting of

- A proposal for how the MOT should be organised during the process and at the end of its reform and restructuring.
- An approach for how to drive the reform and restructuring process
- The provision of capacity to manage the reform and restructuring process.

Background

MOT functions today and historically can be divided into three broad categories:

- Transport services, i.e., Kamaz freight trucks and Millie buses;
- Transport regulation, i.e., Private Sector Department; and
- Staff support.

Aside from the service agencies comprising the government-owned fleet of trucks and buses, the Ministry employs about 1180 persons, 910 of them in Kabul. Over 70 percent of the total (834) are in the Private Sector Department. The Ministry's current organisational structure is depicted in Figure 1.

The surviving operational components of MOT consist of the Kamaz freight agencies and the Millie bus agency. The Private Sector Department is responsible for the regulation of private trucks, buses and taxis within or entering Afghanistan and the enforcement of allowable tariffs. This requires staff in all the major provincial capitals, as well as in selected cities in Pakistan, Iran and, soon, Tajikistan. In principle the Private Sector Department sets technical standards for private commercial vehicles and inspects them for compliance during the licensing/renewal process. In practice it is stated that the Department operates on the assumption that it is in the owners' interest to maintain their trucks, buses and taxis in optimum condition in order to minimise operating costs.

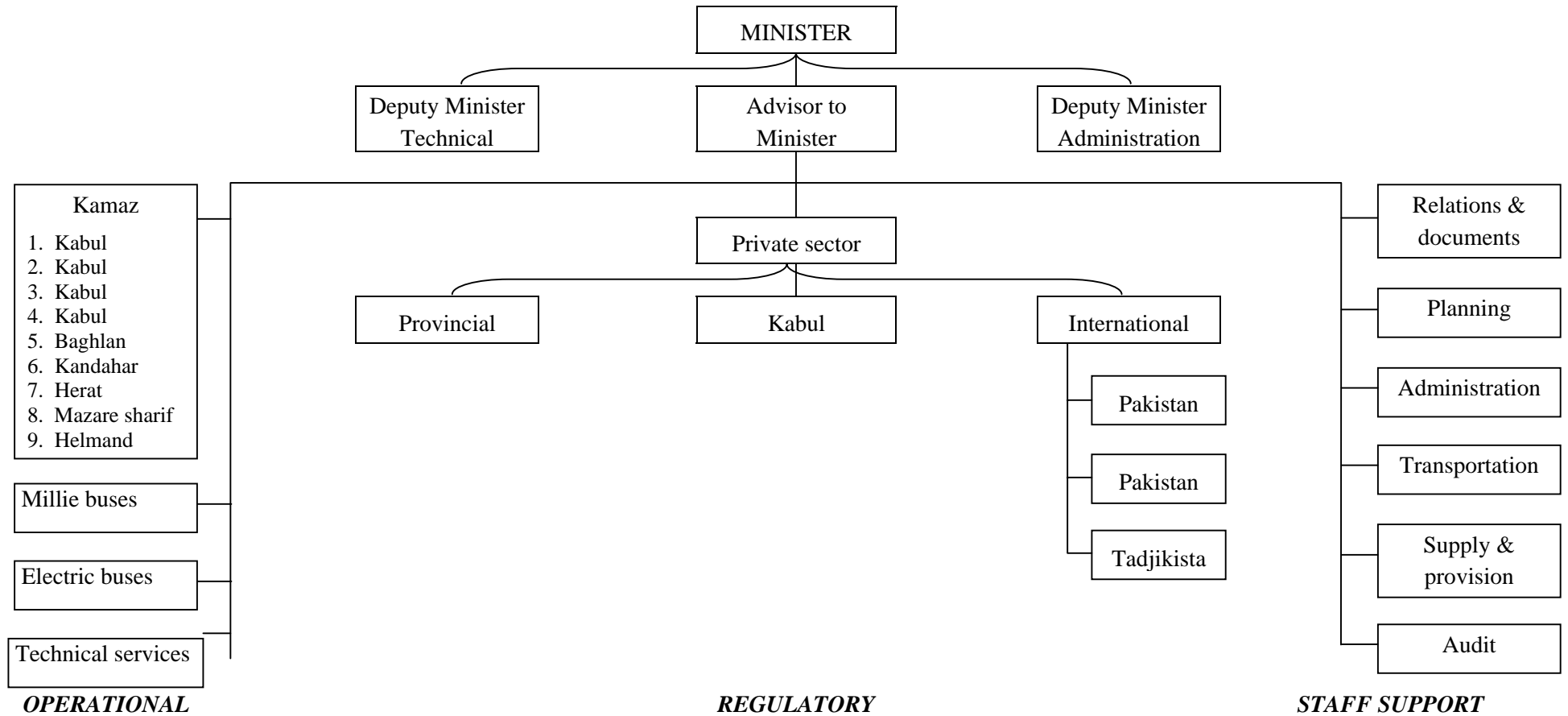


Figure 1 Current Ministry of Transport Structure

Impact of TSR Policy Recommendations on MOT

In consultation paper 1.1, it is recommended that the Kamaz truck and Millie bus agencies in Kabul be converted to self-sustaining corporate entities. Implementation will remove these “service” functions from MOT, although it will remain, on behalf of the government, the owner of the fleet.

In Consultation Papers 1.2, 1.3, 1.4 it is recommended that MOT’s Private Sector Department strengthen its capacity for technical and safety regulation and that it also take on (from the Ministry of Interior) responsibility for all driver licensing and vehicle registration. Simultaneously, it would cease “economic” regulation of commercial operators (i.e., route licensing, price setting, mandatory union membership, etc.). These recommendations will result in a significant shift in the mandate and the focus of the Private Sector Department.

In short, implementation of the foregoing recommendations will substantially alter the functions of the Ministry. It is, therefore, appropriate to restructure MOT accordingly.

Proposed MOT Organisational Structure

The new organisational structure recommended for MOT is presented in Figure 2. A number of functions have been distributed from the Ministry, either through relinquishment (most economic regulation) or through creation of subsidiary corporatised entities (Kamaz agencies and Millie bus). These transformations will eliminate many of the present functions of the Ministry. Whereas many of the staff involved in the actual provision of transport services will shift to the new corporations, however, the regulatory Private Sector Department will remain but with its former responsibilities curtailed.

It is recommended that the Private Sector Department be converted into the proposed Regulation Department comprising the core of the functions within the new MOT. This department will have two divisions: the Driver Licensing Division and the Vehicle Regulation Division. The Licensing Division is responsible for driver testing and the maintenance of two Registers that contain information on all licences and the demerit points associated with them. Driver testing ensures that only those people who have developed the appropriate competencies are allowed to enter the road system.

Licensing allows ongoing access to the road system and a mechanism which enables the removal of drivers from the system if compliance with the standards required is not met.

The Vehicle Registration Division is responsible for: Design & Construction Regulation, Roadworthiness Regulation, and Vehicle Registration.

The Division concerns itself with the suitability of vehicles for use on the road network through control over: the inherent standard of a vehicle’s design, construction and equipment level, the vehicle’s ongoing fitness for use, once in use on the road network, and the on-going registration process that allows the vehicle access to the network as well as appropriate management of the vehicle during its use.

Consultation Paper 1.4 Regulation for road operations contains more detail of the structure of the new Regulation Department in terms of its two constituent Divisions. Also given in the consultation paper is an action plan to facilitate the required changes.

MOT's current Planning Department should evolve into the Ministry's strategy and planning centre, including representing MOT in all matters related to international and intermodal transport and transit.

The Approach

The above recommended reforms pose a major challenge to the MOT. It must in addition recruit new, train and retrain staff. To be able to manage this process, it is recommended that the MOT use the approach outlined in Information Paper 4.1. It is repeated here and adapted to the needs of MOT. The engine of the approach is the *Decree on Priority Reform and Restructuring within Ministries and Government Agencies*¹ (PRR Decree) explained further in Information Paper 4.1.

The first dimension of the approach to implementing reform and restructuring is to do it in phases. Each phase shall have fixed and time bound outputs, and once those outputs have been achieved, then the reform and restructuring process may move onto the next phase². An output will comprise a new department in terms of the proposed organisation as per Figure 2 as well corporatised operations.

A second dimension of the approach is to establish clear priorities with regard to outputs in each phase. Assuming the entire reform and restructuring program to comprise 4 phases, then the following tentative priorities can be made for the outputs of these phases:

Phase 1 outputs: Corporatisation of Kamaz and Millie Bus agencies

Phase 2 outputs: New Regulation Department

Phase 3 outputs: New Administration & Finance Department and the Secretariat

Phase 4 outputs: New Strategy Department

A third dimension is to not undertake the reform and restructuring within an existing organization. A new Regulation Department should thus not be established by reforming the existing Private Sector Department. The approach is rather to set up an embryonic new organization for regulation first within the Reform and Restructuring Office, which will serve as

¹ In terms of this decree, Ministries may develop proposals to reform and restructure departments which are carrying out critical functions within the Ministry, and may seek approval for these departments to be granted priority reform and restructuring (PRR) status. With the exception of 'beyond' grade posts, Ministries may propose that specified posts within Departments granted PRR status should be placed on an interim additional allowance (IAA) scale pending the introduction of comprehensive pay and grading reforms; and may nominate individuals to for appointment to such posts on a time-limited basis and subject to performance. Granting of PRR status and transfer of posts and staff to the interim additional allowance scale will be subject to the approval of the Inter-Ministerial Administrative Reform Group under the Administrative Reform & Civil Service Commission.

² Work on an output may, of course, overlap phases. That is the preparation of the output for phase 3 may be commenced already during phase 2, although most of the work will be done in phase 3.

the incubator (see below). This embryo (referred to as a unit) will only have the skeleton staff of a full department. Once the preparation for the new full department has been concluded, an application for PRR status to be awarded to it will be made to have it established as a full department. When this has been achieved, staff from the old department(s) will be transferred to the new one, and the old will cease to exist. This will facilitate reform and support the need for ‘culture change’ in the MOT.

The mechanism to be used to implement reform and restructuring is the establishment of a new department at the beginning of the first phase, to be given PRR status and to be responsible for preparing for and implementing all major reform and restructuring activities from this phase onwards. This department may be called the Reform and Restructuring Office; it will be phased out at the end of Phase 4, and its closure is thus a further output of the last phase³.

The proposed new Reform and Restructuring Office (RRO) will have a varying number of units corresponding to the outputs of each phase⁴. Thus during the first phase, it will comprise the following units (given the list of priorities in indicated above):

1. ‘Kamaz Companies’ Unit⁵
2. ‘Millie Bus Company’ Unit⁶
3. Capacity Building Unit (CBU)

In terms of the tentative priorities set out above, the RRO could have three units during phase 3 comprising

1. The Secretariat
2. Administration & Finance Unit
3. Capacity Building Unit.

The functions of the CBU are to

1. Prepare preliminary designs for all the outputs.
2. Design Technical Assistance (TA) to assist with the final design and implementation of the outputs.
3. Manage all TA contracts.
4. Coordinate TA activities and donor support to the RRO.
5. Serve as main advisor to the Minister on all reform and restructuring activities.
6. Overall responsibility for the planning and execution of training programs
7. Address gender issues (See Information Paper 4.3).

Note that the CBU will remain part of the RRO until the end of phase 4. It is envisaged that the unit will be supported by TA; see further below.

³ Some its functions will then be taken over by other departments, including the Secretariat and the Administration & Finance Department.

⁴ For that reason, it is assumed that a new application for PRR status will have to be submitted for the RRO in order to commence each phase.

⁵ As proposed in Policy Paper 1.1, there would be a committee to oversee the work of this unit.

⁶ See the previous footnote.

The generic functions of the other units are to:

1. Prepare the final design of the output
2. Prepare for the implementation of the output
3. Prepare, where relevant, the application for PRR status to be given to the new unit.

It is envisaged that each unit will be supported by one TA team, to be managed by the unit itself. The overall control of the TA should, however, rest with the CBU.

The mechanism proposed for effecting reform and restructuring can thus be illustrated by way of Figure 3. The key aspect of the mechanism is the RRO, the phasing approach and the building of new departments from scratch. The fuel used is the PRR mechanism and donor support.

1. Identify the outputs of a phase
2. Apply for PRR status to be given to the RRO with an organizational structure corresponding to the planned outputs. Since the RRO will change from phase to phase, with the exception of the CBU, a new application for the RRO will have to be submitted for each phase. (The CBU will however remain as part of the RRO during all phases.)
3. Recruit the key staff in the units (corresponding to the planned outputs), who will be filling PRR positions
4. Mobilize TA to assist with designing and implementing (preparing) the outputs.
5. Once preparation of an output is ready, then establish the new department by applying for PRR-status (separate from that given to the RRO) being awarded to it.
6. Alternatively, if the output is not a department (or government agency) but a company, establish and launch the company.
7. When PRR status has been approved (or company launched), then transfer required staff from the existing (old) organization.
8. Continue capacity building within the new (PRR) department or company.

Fig. 3: Outline of Mechanism for Reform and Restructuring of MOT

Capacity to Manage Reform, Restructuring as well as the Implementation of Projects

A further component of the strategy is to recruit a consulting team (The CBU Consulting Team) to make up the core of the CBU. It should be noted that this Team will assist with the management of the reform efforts. To actually effect reforms further technical assistance will be required as set out in other Papers in the Action Plan for Road Traffic and Transport.

It is envisaged that this CBU Consulting Team should comprise the following:

- An expert on a full time basis for a period of three years, with a background in the management of a ministry of transport, as well as matters related to the regulation of road traffic and transport. This expert would be the team leader.
- An expert on a full time basis for a three year period to be overall responsible for organising training programmes, to manage other TA consulting contracts, and to manage the other expert to be provided by the CBU Consulting Team.
- A legal expert on a part time basis to partly work in his home office, partly in Afghanistan.
- Other experts e.g. in vehicle inspection as may be required, and on a part time basis and to work in his home office, partly in Afghanistan

The outline Terms of Reference for the Team are in the Annex. The legal expert is required to assess the appropriateness of current laws as concerns road traffic and transport and assist with the development of this legislation⁷. The estimated input is of the order 80 man-months at a total cost of some USD 1.8 million.

The CBU Consulting Team would initiate their work by working out a more detailed strategy for how to reform, restructure and strengthen the MOT. Unless, the process has already been initiated, the Team would also assist with the preparation of the application for PRR-status to be awarded to the RRO as proposed above. The first RRO, with PRR-status, is envisaged to comprise the CBU and the Kamaz and Millie Bus Units (i.e. the embryo of the future management of the new companies to be established in terms of Consultation Paper 1.1). The positions in these units, with PRR-status are expected to be very limited, about 2-3 positions per unit.

Recommendations

It is proposed that the MOT accepts the strategy for reforming, restructuring and strengthening of MOT as set out above.

Actions

Following acceptance, in principle, of the strategy the next steps would comprise the following:

1. Prepare complete TOR for a team of consultants to assist with the reform, restructuring and strengthening of the MOT as well as to provide project management support
2. Solicit funding for this team of consultants (about USD 1.8 million), and undertake recruitment.
3. Initiate the process for application of PRR-status to be awarded to a new department in the MOT to be called the Reform and Restructuring Office (RRO). This Office would initially be expected to comprise a Capacity Building Unit and a Regulation Unit.

⁷ This support is recommended in Information Paper 4.1

MINISTRY OF TRANSPORT

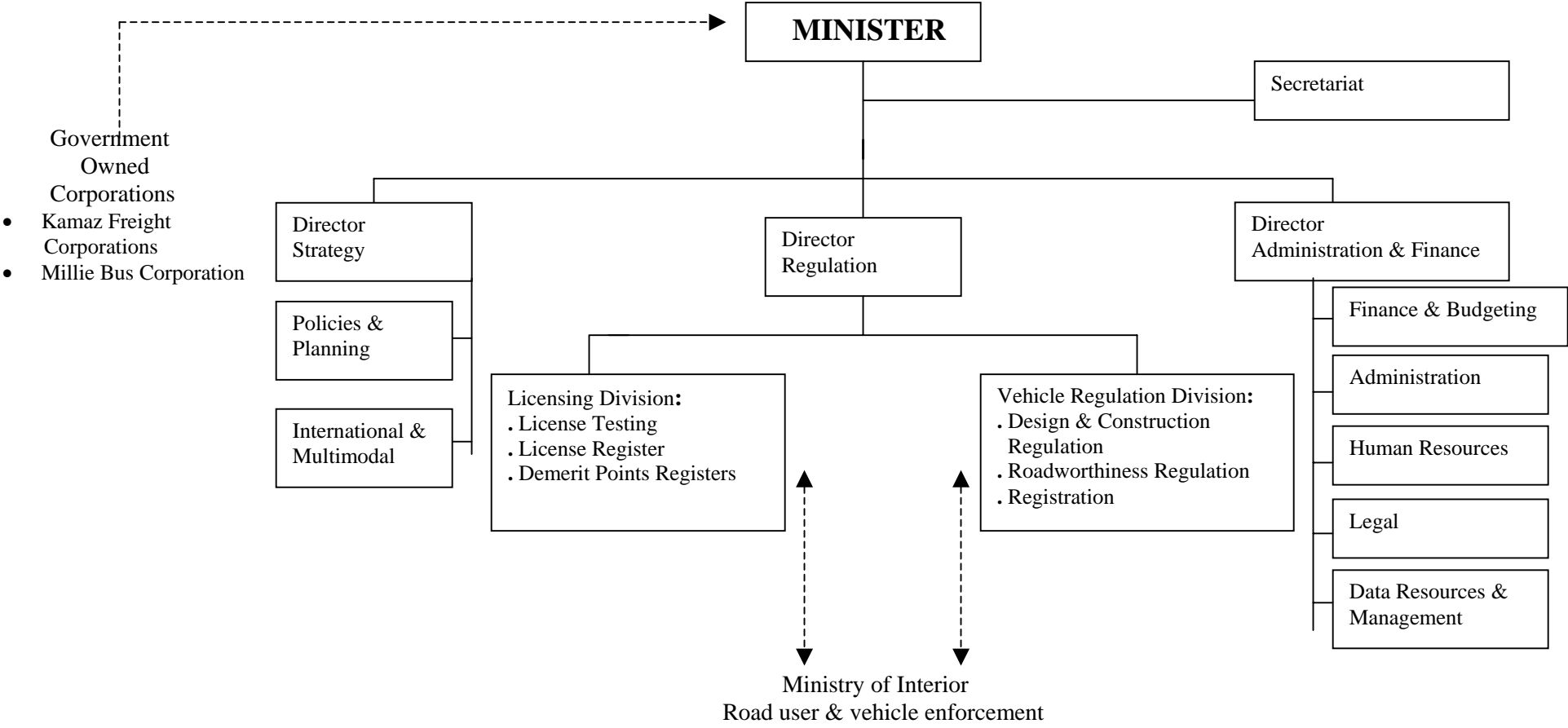


Fig 2. Proposed Restructured Ministry of Transport

ANNEX: Outline Terms of Reference for Technical Assistance to Capacity Building Unit, MOT.

Project : Technical Assistance to the Capacity Building Unit, MOT	
Implementing Agency:	Ministry of Transport
Duration:	Three years
Year of Commencement:	Immediate
Objectives:	Assist MOT to reform, restructure and strengthen MOT through its Capacity Building Unit (CBU) and to manage donor financed technical assistance projects, including legal work.
Tasks:	<ol style="list-style-type: none"> 1. <u>Reform and Restructuring</u> <ol style="list-style-type: none"> 1.1 Assist with applications for PRR-status 1.2 Prepare detailed strategy for Reform and Restructuring 1.3 Prepare preliminary designs for all the outputs of the strategy. 1.4 Design Technical Assistance (TA) to assist with the final design and implementation of the outputs. 1.5 Manage all TA contracts for which MCAT is the Executing Agency. 1.6 Coordinate TA activities and donor support to the CBU. 1.7 Serve as main advisor to the Minister on all reform and restructuring activities. 1.8 Overall responsibility for the planning and execution of training programs 1.9 Assist with the mobilisation of funds for TA. 1.10 Serve as Gender focal point to Gender Advisory Group. 1.11 Address the Gender issues identified in Information Paper 4.3. 2. <u>Legal work</u> <ol style="list-style-type: none"> 2.1 Assist in the identification of appropriate new laws if necessary and the technical regulations to upgrade the management of the road traffic and transport sector. 2.2 Assist MOT and the Ministry of Justice in the drafting and formulation of the necessary laws and regulations.
Estimated Cost:	USD 1.8 million