

Consultation Paper 2.3

Reform, Restructuring and Strengthening of the Ministry of Public Works

Executive Summary

This Consultation Paper sets out a strategy for reform, restructuring and strengthening of MPW. It builds on the recommendations made in Consultation Papers 2.1 and 2.2. It also takes into account the fact that MPW has obtained Priority Reform and Restructuring (PRR) status for one of its departments, in terms of the *Decree on Priority Reform and Restructuring within Ministries and Government Agencies*. Stage 1 and Stage 2 applications, for PRR status to be awarded to the Department of Maintenance, were submitted to and approved by the Independent Administrative Reform and Civil Service Commission during the autumn of 2003.

The strategy also takes into account that the MPW already benefits from substantial long term TA, primarily for project management support and to assist with project identification and development. The strategy proposed here for how to move forward consists of three components:

- A proposal for how the MPW 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.

To be able to manage the reform and restructuring process, it is proposed that MPW decides on the implementation of a new organisational structure in the coming years. This would not be the final organisational arrangements in the road sector, but should be put in place to facilitate the later transformation of the sector in terms of the proposals made in the Policy Statement and elsewhere in the Action Plan.

The approach proposed to be used to reform and restructure MCAT is based on the one outlined in Information Paper 4.1. It is repeated in this Paper and adapted to the needs of MPW. The engine of the approach is the PRR Decree explained further in Information Paper 4.1.

The third component of the strategy is to recruit a consulting team to make up the core of the capacity building unit to be established to drive reform and restructuring. This team should partly comprise experts of Afghan decent.

Recommendations:

It is proposed that the MPW accepts the strategy for reforming, restructuring and strengthening of MPW 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 MPW.
2. Solicit funding for this team of consultants (about USD 2.3 million), and undertake recruitment.
3. Initiate the process for application of PRR-status to be awarded to a new department in the MPW to be called the Capacity Building Office (CBO). This Office would initially be expected to comprise a Capacity Building Unit, a Planning Unit and a Contracting Unit.

1. Introduction

This Consultation Paper sets out a strategy for reform, restructuring of MPW. It builds on the recommendations made in Consultation Papers 2.1 and 2.2. It also takes into account the fact that MPW has obtained Priority Reform and Restructuring (PRR) status for one of its departments, in terms of the *Decree on Priority Reform and Restructuring within Ministries and Government Agencies*¹. Stage 1 and Stage 2 applications, for PRR status to be awarded to the Department of Maintenance, were submitted to and approved by the Independent Administrative Reform and Civil Service Commission during the autumn of 2003.

The strategy also takes into account that the MPW already benefits from substantial long term TA, primarily for project management support and to assist with project identification and development. This support is financed by the US Government

The strategy proposed here for how to move forward consists of three components:

- A proposal for how the MPW 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, but also to provide project management support for the implementation of capital and TA projects.

2. The MPW in about 5 Years' Time – the Vision for the Future MPW Following Reform and Restructuring

The strategy is based on the following assumptions. Before the end of 2004, the following changes have been effected in the allocation of functions between ministries in TISA:

- Responsibilities with respect to rural roads will be transferred from the Ministry of Rural Rehabilitation and Development to the MPW.
- Responsibilities with respect to the construction of airport infrastructure will be transferred from MPW to the Ministry of Civil Aviation and Tourism (MCAT).

The first assumption reflects the recommendation of Paper 2.1, viz. that in order to be able to meet the goal of the TISA to devolve power to the provinces, the first step essentially entails centralization. There are two main reasons for this:

- To facilitate genuine decentralization at a later stage
- The shortage of skilled manpower at present.

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.

The purpose of the strategy is to develop the MPW into a self-sustained manager of the public road network by the end of year 2008. At that time the following is expected:

- The MPW is capable of managing all primary, secondary, provincial and rural roads.
- Day-to-day management of provincial and rural roads has been delegated to MPW's regional administrations (see below).
- Maintenance operations have been delegated to the MPW's regional administrations.

The main functions that MPW will be able to perform capably as a road manager, include the following:

- Planning of road network development, from long term planning to budgeting.
- Planning of road network preservation, from medium term planning to budgeting.
- Contracting for capital works, including preparation of contract documents, contract administration and supervision.
- Contracting for road network preservation, including preparation of contract documents, contract administration and supervision.
- The management and exploitation of its own force account units for undertaking routine maintenance (including operations), and emergency repairs.
- Monitoring of its own performance.

The future MPW will hence not be involved in construction works (Consultation Paper 2.2). It is assumed that the present construction capability will be transferred to one or more state-owned contracting companies, which at a later stage may be privatized. It is also expected that as part of the reform and restructuring process, MPW staff will be encouraged to set up labour-based construction and maintenance units/companies.

It is furthermore assumed that the future MPW will (normally) contract for:

- Undertaking pre-feasibility and feasibility studies.
- Preparing contract documents, including, final designs, and undertaking supervision of works.
- Implementing capital works
- Implementing periodic maintenance works (mainly overlays)
- Implementing routine maintenance on primary roads (by way of long-term (5 year) contracts), and to some extent on secondary roads.

The expected organizational structure of MPW at the end of 2008 is depicted in Figure 1, which also sets out the main functions to be performed by the different units. It is furthermore expected that the regional organization will comprise (about) 8 offices, which would be serving the 32 provinces.

The main features of the new organization are the following:

- Only 5 persons report to the Minister
- The main division in the organization is between *Planning* (demand) and *Contracting* (supply). *Planning* is responsible until a budget is approved, then *Contract* implements, including with assistance from *Maintenance*, whilst *Planning* monitors.

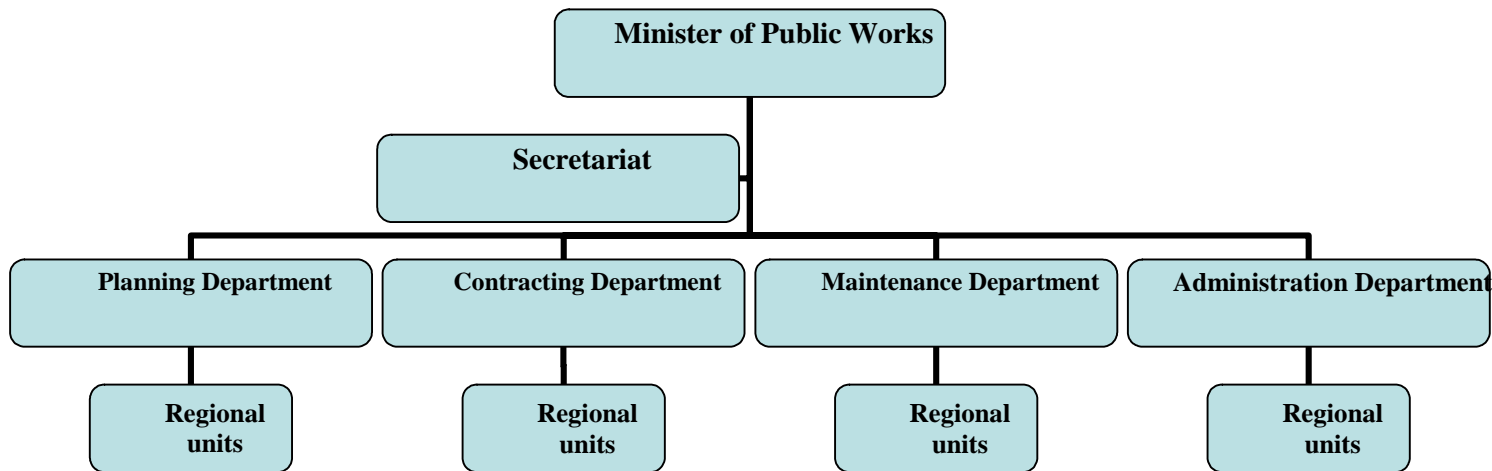
- *Maintenance* is mainly a regional function involved in the implementation of works. Planning and overall supervision of its activities will be done by the Planning and Contracting Departments at HQ
- The *Secretariat*, in addition to normal staff functions, includes those functions which are not performed by a road manager (policy and legislation, railways).
- *Planning* is a centralized function. *Contracting* is, with the exception of large donor-financed projects, a decentralized functions, i.e. the work is done at the regional offices.
- The regional offices of MPW report to the departments of MPW HQ.

The regional offices will thus not have a head reporting to the Minister in Kabul. As today, heads at the regional offices will report to heads of departments at the MPW HQ. As stated above, an organizational structure of this nature will facilitate further additional reforms at a later stage to allow for genuine decentralization to the provincial level (see below) in terms of the policies of TISA.

The next step of the reform and restructuring process, after the end of year 2008 (i.e. beyond the present vision for MPW), is expected to comprise the following (see also Consultation Paper 2.5):

- The transfer of the responsibility for and ownership of provincial and rural roads out of MPW and to the provincial government level. The regional offices of MPW will provide management services to the provinces in an interim period until the provinces are capable of planning and managing their roads.
- The transfer of MPW's functions in policy making, regulation, the final preparation of the road budget, and overall monitoring to a new Ministry of Transport.
- The transfer of the remaining parts of MPW to an autonomous road agency for primary and secondary roads with regional offices.

Fig 1: Overall MPW organisation in the future (beginning 2009)



Functions:

Secretariat: Policy, Legislation, Legal, Information, Railways, Internal audit

Planning: Long term planning, Medium term planning, Budgeting, Feasibility studies, Donor coordination, Monitoring

Contracting: Design, including surveys, Procurement, including documents, Contract administration and Supervision

Maintenance: Routine maintenance, including operations, Emergency maintenance, Labour-based works

Administration: Personnel, Payments, Accounts, Archives, Training.

Notes:

1. Functions related to airports to be transferred to MCAT 2003/04
2. Construction units to be established as road contracting companies.
3. The Reform and Restructuring Office will cease to exist when the new organisation is in place. Continued reform will be handled by the Secretariat and Training will become a responsibility of the Administration Department.
4. The regional organisation will comprise some 8 regional offices serving the 32 provinces.

3 Approach to and Mechanism for Implementing Reform and Restructuring

The approach to implementing reform and restructuring builds on the model set out in Information Paper 4.1. It is repeated here but has been adopted to the circumstances facing MPW.

The first dimension of the approach to implementing reform is to do it in phases. Each phase shall have fixed and time bound outputs, and once (most of) those outputs have been achieved, then the reform and restructuring process may move onto the next phase². An output will comprise:

- a new or a reformed department (in terms of the anticipated new organization; the Secretariat is also an output), which, following PRR status having been achieved, is able to essentially stand on its own feet.
- The launching of one or several state-owned construction companies, based on the units in the present Construction Department.
- A regionally based structure reporting to one of the new departments in the new organization, which, following PRR status having been achieved, is able to essentially stand on its own feet.

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 5 phases during five years, then the following tentative priorities can be made for the outputs of these phases:

Phase 1 outputs: Restructured Department of Maintenance

Phase 2 outputs: New departments of planning and contracting (at HQ)

Phase 3 outputs: New department of administration (at HQ), and a reformed Department of Maintenance (see below).

Phase 4 outputs: The Secretariat and Contractor Companies

Phase 5 outputs: Regional organizations under each department.

It is suggested that the second priority after restructuring the Department of Maintenance (which is the first priority), should be the setting up of new departments for planning and contracting. The MPW is very weak in these two areas at present, which has meant that much of the present planning and procurement works is done outside MPW. In order to ensure the integrity of the road management function as well as MPW, including to promote effective coordination of the many donors contributing to the rehabilitation and development of the Afghan road sector, there is a need to urgently ensure that these two prime functions of a road manager can be handled within the MPW. The priority of other outputs will have to be reassessed later on as the reform and restructuring process has actually been initiated.

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

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.

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, a PRR application will be made to have it established as a full department with its own PRR status. When this has been achieved, staff from the old department 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 MPW.

One exception to this approach is, however, proposed, viz. for the Department of Maintenance, and for the following reasons. To initiate the reform and restructuring process in terms of the strategy proposed here will take some time. The current Department of Maintenance is to a large extent not functional at the present time. At the same time, the need for maintenance works as well as emergency repair works is increasing, as these works are not being attended to by the efforts financed by donors. Restructuring the present Department of Maintenance will therefore ensure a rapid improvement in the utilization of the available resources, and also that the government is able to start delivering urgently required road maintenance services.

It is recognized that whilst the restructuring of the Maintenance Department proposed under the present Stage 2 application for PRR-status is not fully comprehensive, it will be vital to an overall successful long term transformation of MPW. However, it is also envisaged that the Maintenance Department later on will undergo further reform as suggested by the outputs proposed above for phase 3.

The mechanism to be used to implement reform and restructuring is the establishment of a new department at the beginning of the second 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 5, 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 second phase, it will comprise the following units (given the list of priorities above); see Fig 2:

1. Planning
2. Contracting
3. Capacity Building (CBU)

In terms of the priorities set out above, the RRO could have the structure as set out in Fig 3 during phase 3. ‘The Other Unit’ category reflects that one of the two units in phase 2 may not be ready for PRR status after phase 2, and will therefore require another phase for completion. Alternatively, work on a phase 4 output may already commence during phase 3.

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

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

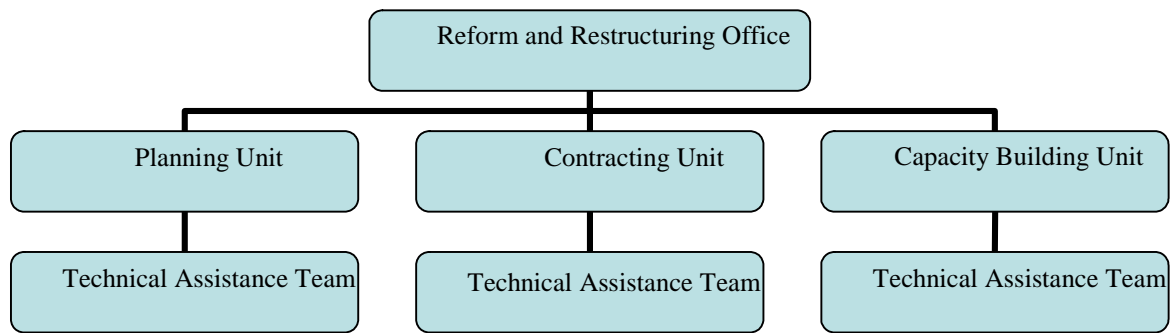


Fig. 2: Proposed Structure of Reform and Restructuring Office during Phase 2

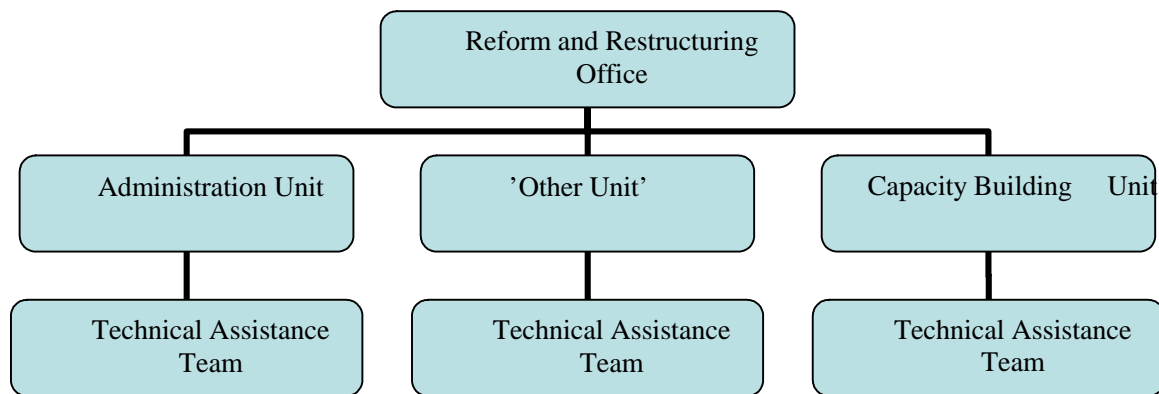


Fig. 3: Possible Structure of Reform and Restructuring Office during Phase 3

Note: 'Other unit' reflects that one of the two units in phase 2 may not be ready for PRR status after phase 2, and will therefore require another phase for completion. Alternatively, work on a phase 4 output may already commence during phase 2.

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 (Some of the TA activities that will be required are indicated in Annex 2).
3. Manage all TA contracts.
4. Coordinate TA activities and donor support to the CBD.
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 5. It is envisaged that the unit will be supported by TA; see further Section 4.

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 4. 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. 4: Outline of Mechanism for Reform and Restructuring of MPW

The output, the *Department of Maintenance* will have the following capabilities after restructuring (at the end of phase 1):

1. Overall management and control of the employees in the Department in the country
2. The planning, organization and execution of routine maintenance and emergency repairs.
3. The maintenance and control of equipment at its disposal.
4. Budgeting of the operations of the Maintenance Department.
5. The organization of further training for its employees.

The output, the new *Planning Department*, will have the following capabilities for it to attain PRR status on its own at the end of phase 2:

1. Overall medium- to long term programming of capital works
2. Medium term programming of maintenance works.
3. The management of the annual budget process, including coordination of the budgets of other Departments.
4. The performance of simplified pre-feasibility and feasibility studies.
5. The operations of a simplified road and traffic data bank.
6. The preparation and implementation of studies by consultants.
7. Overall coordination of projects planned for financing by donors.
8. The monitoring of the implementation of capital projects, long-term maintenance contracts and periodic maintenance operations.

The output, the new *Contracting Department*, will have the following capabilities for it to attain PRR status on its own at the end of phase 2:

1. The general understanding of preparation of detailed designs for capital works, including undertaking of surveys.
2. The preparation of documents for procurement of capital works, long-term maintenance works as well as periodic maintenance works, including procurement of such works.
3. The preparation of specifications for in-house routine maintenance emergency repair operations.
4. The supervision of capital and maintenance works, including contracts for these works.
5. Overall coordination and management of the implementation of donor financed projects.
6. Costing and budgeting
7. Recruitment and management of consultants for preparing final designs, contract documents and supervision.

Next Steps

Assuming approval being given to the Stage 2 application for PRR-status to be awarded to the Department of Maintenance, the following would be the next steps:

1. The Department of Maintenance should undergo the restructuring provided for under the Stage 2 application.
2. The Ministry should initiate the process for preparing for submitting an application for PRR status to be awarded to the proposed RRO (Phase 2) by appointing a committee for this purpose. This committee (the RRO Committee) will be supported by the advisors to the Ministry.
3. The RRO Committee will commence its work by preparing TOR (outline TOR are above in para. 4.10) for the TA team to man the CBU unit in the RRO. This unit is envisaged to comprise three experts on a full time-basis, over, initially, a three-year period, and costing in approximate terms \$ 2.3 million. It is highly desirable that at least one of these experts is of Afghan decent and fluent in at least Dari, and preferably also Pashto⁵. These experts would have the following competencies:
 - The management, organization and operations of a roads department/authority
 - Systems, procedures and management information systems used by a roads department/authority
 - Development and implementation of training programs, as well as recruitment under and management of donor financed TA projects
4. The RRO committee would approach donors to obtain funding for the TA team to man the CBU, and attempt to initiate a fast-track recruitment of this team. This should, if possible, be commenced before the end of 2003.
5. Early in 2004, the RRO Committee would commence the process of applying for PRR status to be awarded to the RRO (phase 2). The final work on the Stage 2 application for the RRO, should, to the extent possible, be done in consultation with the TA Team to man the CBU.
6. Whilst working on the application for PRR-status to be awarded to the RRO, the RRO committee should prepare the TOR for the two teams⁶ to assist with the setting up of the Planning and Contracting Departments, and should approach donors for financial assistance. The duration of the TA is expected to be about 2 years. Recruitment of the TA teams should be initiated.
7. When the Stage 2 application for the RRO has been submitted and the TA Team to man its CBU has been completed, the reform and restructuring process will continue as per Chapter 3 above.

Recommendations

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

⁵ An alternative is to fill one of the three positions with two young professionals of Afghan decent with some relevant experience from abroad.

⁶ The TA could be provided under one contract and with one TA team.

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 MPW.
2. Solicit funding for this team of consultants (about USD 2.3 million), and undertake recruitment.
3. Initiate the process for application of PRR-status to be awarded to a new department in the MPW to be called the Capacity Building Office (CBO). This Office would initially be expected to comprise a Capacity Building Unit, a Planning Unit and a Contracting Unit..

ANNEX 1: Outline Terms of Reference for Technical Assistance to Capacity Building Unit, MPW.

Project : Technical Assistance to the Capacity Building Unit, MPW	
Implementing Agency:	Ministry of Public Works
Duration:	Three years
Year of Commencement:	Immediate
Objectives:	Assist MPW to reform, restructure and to be strengthened through its Capacity Building Unit (CBU)
Tasks:	<ol style="list-style-type: none"> 1 Assist with applications for PRR-status 2 Prepare detailed strategy for Reform and Restructuring 3 Prepare preliminary designs for all the outputs of the strategy. 4 Design Technical Assistance (TA) to assist with the final design and implementation of the outputs. 5 Manage all TA contracts for which MPW is the Executing Agency. 6 Coordinate TA activities and donor support to the CBD. 7 Serve as main advisor to the Minister on all reform and restructuring activities. 8 Overall responsibility for the planning and execution of training programs 9 Assist with the mobilisation of funds for TA. 10 Assist with the implementation of TA projects for which MPW is not executing agency 11 Serve as Gender focal point to Gender Advisory Group. 12 Address the Gender issues identified in Information Paper 4.3.
Estimated Cost:	USD 2.3 million

ANNEX 2: Additional TA that the CBU will have to consider as part of its reform and restructuring work.

The list below is only indicative of some of the expertise that will be required as part of the reform and restructuring of MPW. It will be up to the CBU to make more definitive proposals in this regard, and also package the technical assistance in such a way that the principle of one team per output is upheld.

- (a) Road network classification, inventory, condition survey, traffic counting and axle load surveys (1 adviser for 18 months)
- (b) Developing a Road Asset Management System (RAMS) (1 adviser for 24 months)
- (c) Training in labour-based maintenance operations (1 adviser for 24 months)
- (d) Transfer of MPW staff to the private sector (1 adviser for 18 months)
- (e) Strengthening of the local contracting industry (1 adviser for 24 months)
- (f) Development of efficient contract maintenance practices (1 adviser for 18 months)
- (g) Development of sound contract administration practices (1 adviser for 18 months)
- (h) Development of road network management organisation (1 adviser for 24 months)
- (i) Procurement of plant and tools for labour-based road maintenance (same adviser as in (c))