

Consultation Paper 3.7

Reform, Restructuring and Strengthening of the Ministry of Civil Aviation and Tourism

Executive Summary

The Ministry of Civil Aviation and Tourism is facing a number of fundamental challenges in the coming years. First, as for other parts of the government, MCAT's functions have been significantly disrupted in recent years. Second, the MCAT is envisaged to undergo organisational change in response to suggestions made elsewhere in the Action Plan. And third, the MCAT will be involved in a number of projects to upgrade the airports and the Air Traffic Management system (ATM) of the country.

This Paper proposes a strategy for how to move forward to overcome these challenges, consisting of:

- A proposal for how the MCAT 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.

To be able to manage the reform and restructuring process, it is proposed that MCAT decides on the implementation of a new organisational structure in the coming years. This would not be the final organisational arrangements in the civil aviation 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 MCAT. 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 MCAT accepts the strategy for reforming, restructuring and strengthening of MCAT 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 MCAT as well as to provide project management support
2. Solicit funding for this team of consultants (about USD 3 million), and undertake recruitment.
3. Initiate the process for application of PRR-status to be awarded to a new department in the MCAT to be called the Reform and Restructuring Office (RRO). This Office would initially be expected to comprise a Capacity Building Unit and an Airports Unit.

Introduction

The Ministry of Civil Aviation and Tourism is facing a number of fundamental challenges in the coming years. First, as for other parts of the government, MCAT's functions have been significantly disrupted in recent years. The stimulation of tourism is for the moment not a real function; some airports are still controlled by the military and the original Afghan equipment is lost or destroyed. Ariana is theoretically corporatised but the theory is not fully implemented. Also like other parts of the government the staff are nearing retirement age and new recruitment and training programmes are necessary.

Second, the MCAT is envisaged to undergo organisational change in response to suggestions made elsewhere in the Action Plan. And third, the MCAT will be involved in a number of projects to upgrade the airports and the Air Traffic Management system (ATM) of the country, some of which are also outlined in the Action Plan.

The purpose of this Consultation Paper is to make a proposal for how to respond to these challenges. The proposed strategy builds on the model for capacity building presented in Information Paper 4.1.

The Present Organisation and Challenges

The aviation entity of MCAT consists of eight departments (referred to as presidencies) organised as set out in Fig. 1. These departments have the following responsibilities:

- Operations: In charge of 22 airports and of safety regulation in general.
- Meteorology: Supplier of the meteorological services to the civil aviation sector.
- Technical: In charge of all communication, navigation and surveillance (CNS), electrics and mechanics.
- Documents/licences and law/regulations are the institutional presidencies of MCAT.
- Planning: In charge of projects financial and technical.
- Kabul international airport: In charge of this airport.
- A department of administration/finance/human resources under a Deputy Minister for administrative affairs is responsible for all non-technical aspects of the Ministry.

In addition, there is a presidency responsible for Ariana.

One weakness of the present organisation is its complex reporting structure. Another is that it mixes operational and safety functions. This is true at a general level -- all departments report to the same Deputy Minister, but also at a lower level. For example, the Operations Department runs airports (other than Kabul) but also regulates safety. Although this sort of organisation has in the past existed in many countries, it is now the normal to separate out these two functions. Apart from the general rehabilitation of the administration, this is the main change of principle that needs to be made.

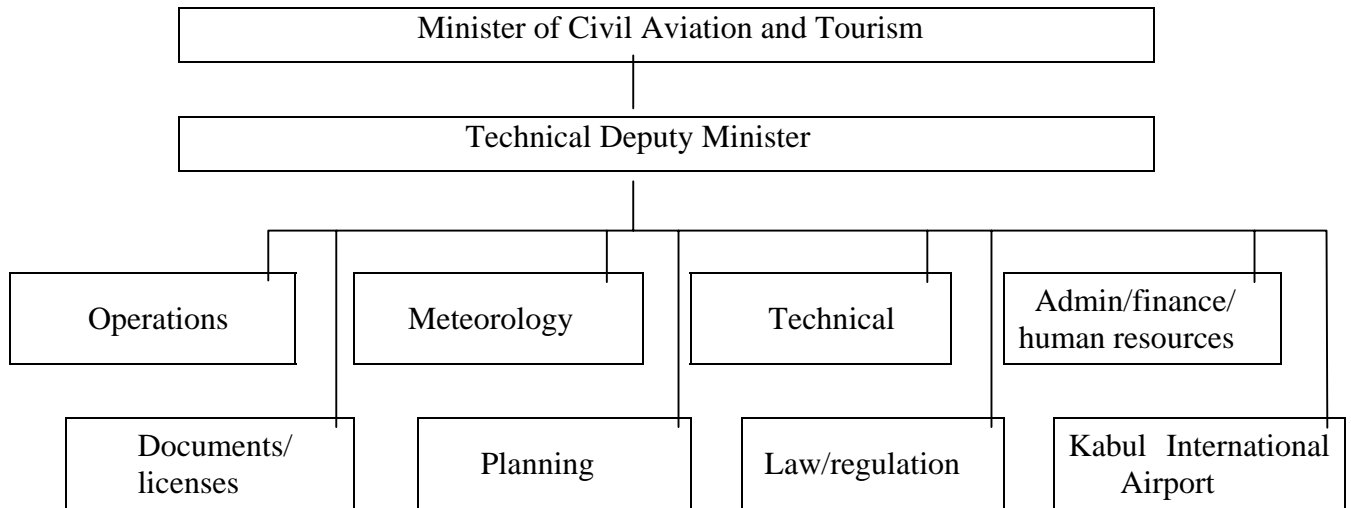


Fig. 1: Present Organisational Structure of MCAT

The future organisation structure of Ariana will, in addition have to respond to the recommendations made elsewhere in the civil aviation part of the Action Plan. If they are adopted, their impact on the organisation of government will be as follows :

- (i) Ariana will be run without governmental involvement in commercial or operational matters; the powers of government will have to be defined.
- (ii) There will be a need to create a separate licensing division to handle applications for licences and to assess and allocate tenders to run non-commercial domestic services. In due course this division might be transferred to an independent authority in accordance with the general policy laid down in the NDF.
- (iii) There will be a need initially to take over responsibilities for capital works for airport infrastructure from the MPW. Later, there will be a need either to create a corporate structure, analogous to Ariana or regional corporate structures, to run the airports. This will involve defining the powers of the government.
- (iv) When the ATM system has been modernised the running of it could also be transferred either to an independent agency or to a separate corporate entity.
- (v) Equally, when the system of safety regulation is restored, it too might be hived off into an organisation separate from central government. If it is, this function could well be combined with that proposed at (ii) above.

Upgrading of the Infrastructure

The following projects are being or will have to be implemented by the MCAT.

- The rehabilitation and upgrading of Kabul International Airport, financed under the World Bank's Emergency Transport and Rehabilitation Project. The project focuses on navigation aids, lighting, terminal upgrading, rehabilitation of certain infrastructure and the provision of essential airside equipment. The project is being implemented by consultants, with assistance from the AACA.
- A technical assistance project sponsored by the ADB for preparing a master plan for rehabilitating the regional airports. The TA, in an amount of USD 1 million, will run during 2003-04.
- The ADB sponsored TA is expected to result in two loans for regional airport rehabilitation, one to be approved in 2004 in an amount of USD 40 million and another in 2005 for USD 30 million.
- Other TA projects as recommended in Consultation Papers
 - two experts on an intermittent basis to support MCAT in the negotiation of bilateral agreements
 - support for the establishment of a route licensing system
 - support to implement a proposed new governance regime for Ariana
 - support to corporatise the airports
 - support to make proposals for an ATM concept of operations
 - support for making immediate improvements and assess longer term needs with respect to civil aviation safety

At present, MCAT has very limited capacity for serving as the client for and therefore actually managing these projects. As concerns the World Bank-financed rehabilitation of Kabul International Airport, however, MCAT's capacity has been strengthened by two experts, one for CNS and one for ATM/Airports during a period of 6 months (Project Management Support). This is the only technical assistance available to the MCAT at the present time.

Strategy

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

- A proposal for how the MCAT 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.

Reorganisation

To be able to manage the reform and restructuring process, it is proposed that MCAT decides on the implementation of a new organisational structure in the coming years. This would not be the final organisational arrangements in the civil aviation 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. It is noted that Ariana is not shown in the figure. Ariana is a separate entity; its contract with the MCAT (see Policy Paper 3.3) is assumed to be monitored by a unit in the Administration Department.

The proposed reorganisation will in addition:

- Facilitate the management of the reform process
- Ensure that responsibilities for commercial, operational, regulatory and safety matters are clearly separated in an ideal civil aviation environment.
- Facilitate reporting within MCAT

In terms of the proposed new organisation, the civil aviation part of MCAT would comprise four departments, as set out in Fig 2, below.

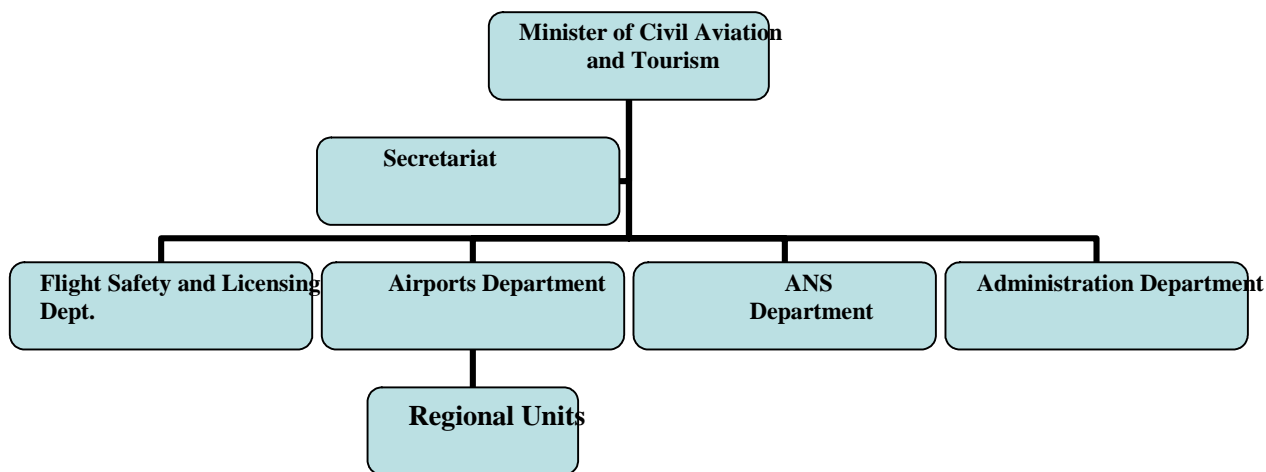
The Airways Department would provide the following facilities and services:

- Communications (COM)
- Navigation Aids (NAVAIDS)
- Air Traffic Management (ATM)
- Meteorological Services (MET)
- Aeronautical Information Services (AIS)
- Search and Rescue (SAR)
- Management of the Civil Aviation Training College (CATC)
- Civil/Military Coordination

Inside the Airports Department, it is proposed that the airports would be organised and managed on a regional basis such that a main centre will be responsible for nearby smaller airports, generally those which are served by feeder services from the main centre. This would facilitate the movement of technical and maintenance personnel. A possible arrangement is shown below.

Central	South	West	North	North East	
KABUL	KANDAHAR	HEART	MAZAR-I-SHARIF	KUNDUZ	
Jalalabad, Khost, Ghazni, Bamyan, Yakawlang, Lal, Chaghcharan, Kron Monjan	Mukur, Bost, Farah,	Tereen, Zaranj,	Shindand, Qala-e-Naw	Maymana, Sherberghan	Faizabad, Khojaghar, Khwahan, Darwaz, Sheghnan

Fig 2: Overall Proposed MCAT Organisation in about 4 Years' Time



Functions:

Secretariat: Policy, International Relations, Information, Tourism, Internal audit

Flight Safety and Licensing: Aviation security, Safety regulation, Accidents investigation, Standards, Aerodrome inspection, Airworthiness, Airline Licensing, Aircrew licensing, ATC Licensing, Nav. Airs inspection, Aircraft and personnel registers.

Airports: Management, Operations, Maintenance, Planning & Dev., Procurement, Capital Works, Training and Finance

Air Navigation Services (ANS): Management, Operations, Maintenance, Planning & Development, Procurement, Capital Works, Training and Finance, Civil/Military Cooperation.

Administration Department: Economics, Bilateral Agreements, Legislation, Monitoring of Ariana, Administration (Personnel, Payments, Accounts, Archives, Training).

Note: 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 several departments.

The structure shown in Fig 2 is the end result of the first phase of the envisaged reform and restructuring process, to take place over the next 3 to 5 years. During this period, the MCAT will take on an organisational structure which, in effect, is moving in steps from the structure shown in Fig 1 to the one in Fig 2. During this period there will, in addition, exist one further department in the MCAT, as explained further below. This department will be referred to as the Reform and Restructuring Office (RRO).

After the completion of the reform and restructuring process leading up to the structure in Figure 2, a new phase of reforms will be initiated as suggested by the TSR Action Plan. At an appropriate time in the future, it is thus envisaged that the three divisions, i.e. Safety and Licensing, Airports, and Airways, would be removed from MCAT and established as government owned companies and/or authorities. The longer term vision for the organisation of the transport sector is set out in Information Paper 4.2.

The Approach

The approach proposed to be used is based on the one outlined in Information Paper 4.1. It is repeated here and adapted to the needs of MCAT. 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.

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: New Airports Department
- Phase 2 outputs: New Flight Safety and Licensing Department
- Phase 3 outputs: New Administration Department and the Secretariat
- Phase 4 outputs: New Air Navigation Services (ANS) Department

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

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.

(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 MCAT.

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. Airports
2. Capacity Building (CBU)

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

1. The Secretariat
2. 'Other Department'
3. Capacity Building.

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
8. Address gender issues (see Information Paper 4.1).

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.

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 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 in order to commence each phase.

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 MCAT

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

The third component of the strategy is to recruit a consulting team (The CBU Consulting Team) to do the following:

- Make up the core of the CBU
- Provide Project Management Support for the implementation of donor funded capital and technical assistance projects.

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 Civil Aviation.

It is envisaged that the 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 civil aviation or civil aviation authority. 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 experts to be provided by the CBU Consulting Team.
- Experts on a part time basis to partly work in their home office, partly in Afghanistan and in the following areas (i) airport terminals and infrastructure; (ii) ATM; (iii) CNS; and (iv) aviation safety.

The outline Terms of Reference for the Team are in the Annex. The estimated input is of the order 120 man-months at a total cost of some USD 3 million.

The CBU Consulting Team would initiate their work by working out a more detailed strategy for how to reform, restructure and strengthen the MCAT. 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 Airports Unit. The positions in these units, with PRR-status are expected to be very limited, about 2 positions per unit.

Recommendations

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

Actions

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

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

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

Project : Technical Assistance to the Capacity Building Unit, MCAT	
Implementing Agency:	Ministry of Civil Aviation & Tourism
Duration:	Three years
Year of Commencement:	Immediate
Objectives:	<p>Assist MCAT</p> <ol style="list-style-type: none"> 1. to reform, restructure and strengthen MCAT through its Capacity Building Unit (CBU) 2. to manage donor financed capital and technical assistance projects.
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>Project Management Support:</u> <ol style="list-style-type: none"> 1.1 Assist with the implementation of TA projects for which MCAT is not executing agency 1.2 Review of feasibility and similar studies 1.3 Review of preparation of procurement documents for capital works 1.4 Oversight of the selection of contractors for project implementation 1.5 Oversight of contract supervision, monitoring, including financial control and technical supervision of capital works.
Estimated Cost:	USD 3 million