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Technical Assistance to the Islamic Republic of Afghanistan for Capacity Strengthening of the Civil Aviation Sector

June 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 02 June 2005)

Currency Unit – afghani/s (AF)

AF1.00 = \$0.020104

\$1.00 = AF49.7400

ABBREVIATIONS

ADB	–	Asian Development Bank
ICAO	–	International Civil Aviation Organization
MOF	–	Ministry of Finance
MOT	–	Ministry of Transport
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Transport and communications
Subsector	–	Civil aviation
Themes	–	Governance and capacity development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. In 2004, the Asian Development Bank (ADB) provided the Regional Airports Rehabilitation Project through a project loan to rehabilitate seven regional airports and provide a human resource development program to strengthen the capacity of the Ministry of Transport (MOT, formerly the Ministry of Civil Aviation and Tourism). The capacity-strengthening component of the Project focuses on improving basic skills for airport operations for the limited number of MOT personnel without covering air safety oversight or financial management of airport operations. As air traffic picks up along with the rapid expansion of economic activities over the country, the issue of air safety looms larger while the capacity of MOT is virtually nonexistent. The revenue from airport operations keeps growing in tandem with increasing air traffic, which should provide an expanding revenue stream for the Government, but the accounting system does not provide reliable accounting, implying significant losses to the Government. Recognizing this problem, the Government requested ADB to provide technical assistance (TA) to strengthen the capacity of MOT for air safety oversight and financial management for airport operations. The TA is included in ADB's Afghanistan *Country Strategy and Program Update, 2004–2006* published in 2004.

2. The Fact-Finding Mission visited Afghanistan in March 2005 and reached an understanding with the Government on the objectives, scope, cost estimates, financing plan, implementation arrangements, and terms of reference for consulting services. This TA report was prepared on the basis of the Mission's discussions with the Government; its observations in the field; and its review of relevant data, studies, and reports.¹ The TA framework is presented in Appendix 1.

II. ISSUES

3. Afghanistan is a landlocked country. Its population, estimated at 26 million, is spread over some 652,000 square kilometers of mostly mountainous terrain. With the rugged Hindu Kush mountains occupying the geographic center of the country, the provincial centers are physically separated by steep mountains or by desert. In the absence of a railway system and functioning river ports, Afghanistan depends significantly on air transport for the movement of passengers and goods. While the road network offers reliable links capable of transporting large volumes of goods and people, air transport provides the best, and often the only, quick link between remote provinces and Kabul.

4. The prolonged conflict in Afghanistan has resulted in large-scale deterioration of the civil aviation infrastructure and depletion of skilled human resources. Existing security arrangements are lax and trespassing by unauthorized persons and straying by animals onto airport property are common. Control tower operations and communications fall far short of minimum international standards. With the depletion of trained staff, MOT is unable to provide adequate air traffic control for Afghanistan's airspace. Despite aid agencies' assistance to upgrade airport infrastructure and equipment for communications, surveillance, and navigations system, given existing technical support staff, assuring the safety of flights over Afghanistan is almost impossible.

5. The Civil Aviation Act of Afghanistan promulgated in July 2003 does not provide for an effective safety oversight authority nor satisfies minimum international requirements as set by

¹ The TA first appeared in *ADB Business Opportunities* on 11 April 2005.

the International Civil Aviation Organization (ICAO). It has no provision to (i) authorize the establishment of an independent regulatory body such as a civil aviation authority; (ii) delegate the necessary authority and assign corresponding responsibility to the regulatory body to develop, issue, and revise operating regulations and rules; (iii) enforce the code of air navigation regulations and associated operating regulations and rules; and (iv) require all commercial air transport operations to be conducted under the government authority and in accordance with any conditions that the Government may consider applicable in the interests of safety and in accordance with all appropriate treaties and agreements with other countries. The Civil Aviation Regulations and the Civil Aviation Safety Orders promulgated in 1973 are out of date and accordingly do not reflect the latest technical developments in aviation nor conform with the ICAO standards and recommended practices for air safety.

6. Establishing a reasonable air safety regulatory framework together with developing suitable human resources is a medium- and long-term objective to be pursued with a long-term view to restructuring the civil aviation sector as a whole. However, in the short term, there is an immediate need to upgrade the capacity of MOT to conduct air safety oversight for some critical areas such as airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation. Work manuals for those critical areas and training of MOT staff are an urgent task to be carried out to ensure a minimum level of air safety in the present environment of rapidly growing air traffic aided by aid agencies' assistance to rehabilitate airport infrastructure.²

7. Under the current structure of civil aviation sector, MOT owns, manages, and directly operates all airports and air navigation services in Afghanistan except military airports. All revenues generated by civil airports and air navigation services are collected by the airport authorities under MOT and deposited in the government treasury. The government budget allocation covers all expenditure on salaries, repairs and maintenance, and utilities. Accounting for the revenues and expenses of the airports and air navigation services is centralized in the Ministry of Finance (MOF). MOF finalizes the operational expenditure budget on the basis of a proposal prepared by MOT. After MOF finalizes the details of the annual expenditure budget, MOT transfers the budget provision to each airport.

8. Accounts for civil aviation follow the government accounting system and are maintained on a cash basis. Under this system, capital expenditure incurred on a project is presented as expenditure in the year of occurrence and cumulative numbers are not available. Therefore ascertaining the true value of airport assets is difficult. Depreciation is not accounted for in the government accounting system. Revenues from scheduled flights are directly collected by the treasury of MOF. Revenues from nonscheduled flights are collected by the airports and deposited in the treasury of MOF. Given this particular accounting system, assessing the financial situation of civil aviation activities accurately, especially for individual airports and services, is virtually impossible.

9. Actual expenditures airports incur against their budget allocations are not always reported to MOT in a timely fashion. Furthermore, the reporting system for expenditures is poor, and hence actual expenditure figures for the various airports, and also for the entire civil aviation

² The World Bank, as part of its Emergency Transport Rehabilitation Project approved in 2003, has provided \$19.3 million to rehabilitate Kabul International Airport. The Japan International Cooperation Agency will provide assistance to construct a new passenger terminal building at that airport. ADB provided the Regional Airports Rehabilitation Project of \$30 million to rehabilitate seven regional airports. ADB's Regional Airports Rehabilitation Project Phase 2 of \$40 million will support rehabilitation of the remaining regional airports.

sector, are not readily available in MOT. In the case of revenues, MOT bills scheduled airlines for landing, parking, and air traffic services, but for nonscheduled flights, unless arrangements are made ahead of time, the airport operators normally collect the charges in cash and MOT does not always obtain complete, timely information about deposits from airport operators. Thus aggregate revenue figures by airport are not available, and as a result, MOT does not have accurate numbers for actual expenditures on and revenues from civil aviation operations.

10. A fair financial and budget accounting system for airport operations is a prerequisite for efficient planning of airport operations and investments. With the current poor financial management system, proper protection of airport assets and appropriate control over the revenue and expenditure from airport operations are hardly assured. Furthermore, it is almost impossible to develop a business plan for airport operations, which is an essential practice for airport operations to evolve into commercialized and corporatized entities as envisaged by the long-term civil aviation restructuring plan.

11. With aid agencies' assistance to rehabilitate airport infrastructure, air transport is recovering its share of traffic that keeps rapidly growing along with normalization of economic activities over the country. Growing air traffic alerts MOT to the pressing need to upgrade its air safety oversight and financial management. Capacity strengthening of MOT staff is crucial to assurance of air safety and improvement of financial governance of airport operations.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The objective of the TA is to upgrade the air safety oversight and improve financial governance of airport operations in Afghanistan. The TA will strengthen the capacity of the MOT to oversee the air safety, particularly in relation to airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation, and to maintain its financial management system that will be developed to enhance financial governance of airport operations.

13. The TA will (i) develop air safety regulatory frameworks to be adopted in a phased manner with the ultimate goal of establishing an independent civil aviation authority³; (ii) develop a draft civil aviation act that will remedy the deficiencies of the existing acts (footnote 3); (iii) develop draft civil aviation regulations and civil aviation safety orders applicable in each phase; (iv) develop work manuals for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation to guide MOT staff; (v) develop financial management systems for airport operations to be adopted in a phased manner with the ultimate goal of adopting commercial accounting standards for corporatized civil aviation authority; (vi) prepare accounting and audit manuals to guide MOT staff to adopt and maintain the redesigned financial management systems; (vii) develop human resources development plans; and (viii) develop and conduct human resources development programs to equip MOT and airport staff with the skills needed to carry out air safety oversight and to adopt and maintain the financial management systems as designed.

³ With the assistance of the United States Trade and Development Agency, MOT will develop a civil aviation law and regulatory framework on the basis of establishing a civil aviation authority, of which implementation will be in the long-term time line. ADB TA will develop interim legal and regulatory frameworks in phases which will address immediate and short-term needs to strengthen air safety oversight.

B. Methodology and Key Activities

14. As human resources and skills and physical facilities for air safety oversight are almost nonexistent, it is hardly feasible to introduce a sophisticated form of air safety regulatory framework in the short run. The capacity of MOT will improve gradually aided by the human resources development programs to be provided by the TA and subsequent investments. The air safety regulatory framework needs to transform over phases in step with improvement of MOT's capacity for air safety oversight. The consultants will map out the migration of the air safety regulatory framework through phases taking into account available human resources and skills and physical facilities in each phase, and develop sets of frameworks that will be adopted for each interim phase of migration. In the same manner, sets of financial management system will be developed to be adopted in phases as MOT's capacity to maintain it gradually improves, e.g., from manual record keeping phase to computer-based record keeping phase, and ultimately to an on-line-based real-time data transmission phase. The financial management system will be designed to generate accounting information and data that conform with commercial accounting standards as well as the government fiscal accounting requirements.

15. The air safety regulatory framework will be developed in such a way as to support the migration and be amenable to relevant aviation security requirements that will be reviewed by separate external experts supported by ADB. Human resources development plans will be prepared in such a way as to upgrade MOT's capacity to adopt and implement the air safety regulatory framework and the financial management system applicable in each phase. The consultants will develop and conduct human resources development programs that will produce critical skills immediately needed to carry out air safety oversight and maintain the first phase financial management system as well as improve general skills required to smoothly evolve into following phases. The human resources development program will include engaging foreign experts on air safety oversight in MOT who will provide on-the-job trainings⁴ and sending MOT staff to overseas training programs.

16. The consultants will act as advisors during TA period to provide day-to-day guidance for air safety oversight and financial management issues, and in the course provide on-the-job training for MOT staff assigned. Outline terms of reference for consultants are in Appendix 2.

C. Cost and Financing

17. The total cost of the TA is estimated at \$1,040,000 equivalent, comprising \$837,000 in foreign exchange and \$203,000 equivalent in local currency. ADB will provide \$1,000,000 equivalent to cover the entire foreign exchange cost and a portion of the local currency cost amounting to \$163,000 equivalent. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining \$40,000 equivalent to cover the costs of counterpart staff, office accommodation and equipment, and local communications. Appendix 3 gives the detailed cost estimates.

D. Implementation Arrangements

18. MOT will be the Executing Agency for the TA. Within MOT, the deputy minister for civil aviation will be the project director, and will be responsible for the TA's overall implementation. The project director will closely coordinate with the consultants and ensure that government

⁴ The human resources development program will be developed in such a way as to maximize the synergy from coordination with other multilateral and bilateral agency support, such as that from India.

support for TA implementation is provided in a timely manner so that consultants' TA activities will not be held up. The project director will regularly report on TA progress to ADB. MOT will assign an air safety engineer and a financial management specialist under the project director on a full-time basis to provide necessary assistance for the consultants. The human resources development programs to be developed and conducted by the consultants should be endorsed by ADB.

19. Two separate teams of international consultants in association with domestic consultants will be engaged for air safety regulatory framework and financial management system respectively using the simplified technical proposal procedures based on the quality- and cost-based selection method and in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for selecting and engaging domestic consultants. The air safety regulatory framework will require 35 person-months of consulting services, 15 international and 20 domestic, to carry out the TA as defined in the outline terms of reference (Appendix 2). The international consultants will have expertise in civil aviation regulation and air safety oversight. The domestic consultants will have expertise in civil aviation legislation and air safety oversight. The financial management system will require 28 person-months of consulting services, 14 international and 14 domestic, to carry out the TA as defined in the outline terms of reference (Appendix 2). The international and domestic consultants will have expertise in financial management system analysis and design. Equipment under the TA will be procured in accordance with arrangements satisfactory to ADB.

20. Both consultant teams will start their work in September 2005. The air safety regulatory framework component will last 10 months until July 2006 and the financial management system component 9 months until June 2006. The consultants will submit (i) inception report within 1 month of the start of services that outlines any change in the approach, methodology, or work plan, as well as their cost implications; (ii) monthly progress report within 2 weeks of the following month that show the progress of all initiatives undertaken by the TA and actions taken and guidance provided by the consultants as an advisor for day-to-day air safety oversight and financial management issues; (iii) a draft civil aviation act, draft civil aviation regulations and orders, and draft work manuals for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation, human resources development plan, accounting and audit manuals, and action plans within 5 months of the start of their services; (iv) report on evaluation of training program within 2 weeks after completion of all training programs that summarizes input, output, and outcomes of all training programs; (v) draft final TA evaluation report by TA completion that lists all activities undertaken under the TA including human resources development and all acts, regulations and orders, manuals, human resources development plans, training programs and materials, and action plans developed under the TA, and evaluate their impact on capacity strengthening of MOT; and (vi) final TA evaluation report within 1 month of receipt of comments from the Government and ADB.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of Afghanistan for Capacity Strengthening of the Civil Aviation Sector, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Improvement of air safety and financial governance of airport operations	<ul style="list-style-type: none"> • Establishment of an independent air safety regulatory body within 10 years after technical assistance (TA) completion • Corporatization of regional airports within 10 years of TA completion 	Asian Development Bank's (ADB) policy dialogue with the Government for restructuring civil aviation sector	Assumptions <ul style="list-style-type: none"> • Ministry of Transport's (MOT) commitment to strengthen the function of air safety oversight and financial management • Appropriate budgetary support for MOT to discharge its expanded responsibility for air safety oversight and financial management • Availability of sufficient qualified MOT staff
Outcome Strengthened capacity of MOT to undertake the air safety oversight and to maintain its financial management system	<ul style="list-style-type: none"> • 50% decrease in accidents and incidents related to airport and flight operations 3 years after TA completion • Introduction of an accounting system based on commercial accounting standards for regional airport operations and production of financial statements of regional airports with external auditor's audit opinion within 3 years after TA completion • All airport revenues from all regional airports reported to MOT without leakage 3 years after TA completion 	<ul style="list-style-type: none"> • MOT's accident and incident report • External auditor's report for financial statements of regional airports • ADB missions to assess project implementation 	Assumption <ul style="list-style-type: none"> • High-quality services provided by the international and domestic consultants
Outputs <ol style="list-style-type: none"> 1. Air safety regulatory frameworks 2. Draft civil aviation act 3. Draft civil aviation regulations and civil aviation safety orders 4. Work manuals for airworthiness control, flight operations 	All documents available within 5 months after TA commencement for Government's subsequent action	<ul style="list-style-type: none"> • Consultants' progress report • ADB missions to assess TA implementation 	Assumptions <ul style="list-style-type: none"> • High quality services provided by the international and domestic consultants • MOT's acceptance of consultants' advisory role on day-to-day operational matters

Continued on next page

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>inspection, personnel licensing, air operator certification, and accident and incident investigation</p> <p>5. Financial management systems for airport operations</p> <p>6. Accounting and audit manuals</p> <p>7. Accounting and audit manuals</p> <p>8. Human resources development plans</p>			
<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Mapping out the migration of the air safety regulatory framework and financial management system through phases taking into account available human resources and skills and physical facilities in each phase to be completed within 2 months after TA commencement. 2. Developing sets of regulatory framework together with legal frameworks and devising sets of financial management systems that will be adopted for each phase of migration to be completed within 4 months after TA commencement. 3. Developing and conducting human resource development programs to be conducted throughout the TA period. 4. Providing to MOT an advisory service for day-to-day works for air safety oversight and financial management to be conducted throughout the TA period. 			<p>Inputs</p> <ul style="list-style-type: none"> • TA financing of \$1,000,000 on a grant basis by ADB's TA funding program • Government's in-kind contribution to TA • 29 person-months of international and 34 person-months of domestic consulting services

OUTLINE TERMS OF REFERENCE

A. Objective

1. The objective of the technical assistance (TA) is to upgrade the air safety oversight and improve financial governance of airport operations in Afghanistan. The TA will strengthen the capacity of the Ministry of Transport (MOT) to undertake the air safety oversight, particularly for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation, and to maintain its financial management system that will be developed to enhance financial governance of airport operations.

2. The TA will (i) develop air safety regulatory frameworks to be adopted in a phased manner with the ultimate goal of establishing an independent civil aviation authority; (ii) develop a draft civil aviation act; (iii) develop draft civil aviation regulations and civil aviation safety orders applicable for each phase; (iv) develop work manuals for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation to guide MOT staff; (v) develop financial management systems for airport operations to be adopted in a phased manner with the ultimate goal of adopting commercial accounting standards for corporatized civil aviation authority; (vi) prepare accounting and audit manuals to guide MOT staff to adopt and maintain the redesigned financial management systems; (vii) develop human resources development plans applicable for each phase; and (viii) develop and conduct human resources development programs to equip MOT and airport staff with the skills needed to carry out air safety oversight and to adopt and maintain the financial management systems as designed.

B. Scope of Work

1. Air Safety Regulatory Framework

a. International Consultants

3. Two international consultants, an air safety regulation specialist (team leader) and an air safety oversight specialist, will be engaged for 10 person-months and 5 person-months respectively to carry out the following tasks:

- (i) Collect and review information and data related to air safety regulation in Afghanistan such as civil aviation legislation, organizational structure of the responsible unit in MOT to carry out air safety oversight and required processes and procedures, aircraft register, records related to certification and surveillance of air operators such as fleets, numbers, and routes, aircraft operational standards, records of flight operations inspection and applicable standards, records of personnel licensing and applicable standards, records of accident and incident investigation and applicable standards.
- (ii) Conduct a baseline survey and collect baseline performance indicators presented in the technical assistance framework.
- (iii) Review the existing human resources and skills available in the responsible unit in MOT to carry out air safety oversight and assess their adequacy.
- (iv) Develop air safety regulatory frameworks to migrate through two or three phases in accordance with human resources, technical skills, and physical facilities available or to be made available for each phase; the ultimate goal in the long-term perspective is to establish an independent civil aviation authority for air safety regulation.

- (v) Develop a draft civil aviation act that can accommodate the migration of air safety regulatory frameworks over phases in coordination with other experts engaged by the Asian Development Bank (ADB) for airport security assessment and ensure that the design of air safety regulations are amenable to relevant aviation security requirements.
- (vi) Develop sets of air safety oversight regulations or orders for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation applicable for each phase that are in compliance with the standards and recommended practices of the International Civil Aviation Organization (ICAO).
- (vii) Carry out detailed staffing and workload analysis for MOT to conduct air safety oversight particularly for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation, identify personnel positions required to implement the regulations and orders for each phase, and prepare job description for each position.
- (viii) Take inventory of existing equipment and facilities for air safety oversight, assess the requirement of new equipment and facilities needed to implement the regulations and orders applicable for each phase, and prepare sets of investment plan for equipment and facilities together with estimated costs.
- (ix) Develop sets of human resources development plans applicable for each phase taking into account existing and required skills to implement the regulations and orders, particularly for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation.
- (x) Develop and conduct human resources development programs that focus on capacity strengthening of MOT staff in the areas of airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation to be immediately utilized for air safety oversight under the first phase air safety regulatory framework, and prepare an evaluation report for training programs conducted externally or internally. Under the external programs, MOT staff will be sent to external training organizations accredited by ICAO. Under the internal programs, the consultants will develop and provide training courses through the Civil Aviation Training Center.
- (xi) Develop sets of work manuals for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation to guide MOT staff for each phase. These manuals will be used for internal training programs.
- (xii) Develop action plans applicable for each phase that spell out necessary actions to be undertaken by MOT to adopt the air safety regulatory framework and implement the safety regulations and orders as planned after the consultants complete their assignments and depart.
- (xiii) Act as an advisor to MOT to provide guidance for day-to-day air safety oversight issues and in the course, provide on-the-job-trainings for MOT staff assigned.
- (xiv) Refine the terms of reference (TOR) for domestic consultants as necessary.
- (xv) Carry out additional tasks as requested by ADB staff.

b. Domestic Consultants

4. Three domestic consultants, a legal expert (5 person-months) and two air safety specialists (10 person-months and 5 person-months), will be engaged to carry out the following tasks:

- (i) Assist the international consultants to collect information and data and translate those information and data into English as required.
- (ii) Assist the international consultants in designing legal framework for air safety regulation and translate, as necessary, the legal documents into Dari.
- (iii) Design questionnaires and other survey tools and translate them into Dari, conduct field-based surveys, researches, and studies as instructed by the international consultants, and compile and analyze the results of surveys, researches and studies.
- (iv) Assist the international consultants to prepare a draft civil aviation act, air safety regulations and orders, air safety work manuals, and training materials, translate them into Dari, and assist the international consultants to conduct the training programs.
- (v) Liaise with the Government and the international consultants.
- (vi) Carry out additional tasks as requested by the international consultants.

2. Financial Management System

a. International Consultants

5. Two international consultants, a financial management specialist (team leader) and a financial management system analyst, will be engaged for 9 person-months and 5 person-months respectively to carry out the following tasks:

- (i) Review the present financial management system of airport operations adopted by MOT and airports, and assess its adequacy in terms of compliance with either government's fiscal accounting requirements or commercial accounting standards.
- (ii) Review the existing human resources and skills available in MOT and airports and assess their adequacy to maintain either the current financial management system or any new financial management system to be developed.
- (iii) Map out the migration of financial management systems through two or three phases that can be adopted and implemented by available human resources in each phase. The first phase of manual record keeping may migrate into computer-based record keeping, and ultimately into an on-line-based real-time data transmission between MOT and airports. The ultimate form of financial management system should support commercialized and corporatized airport operations.
- (iv) Develop sets of accounting system applicable for each phase of migration and prepare the charts of accounts and the book keeping system thereof. The accounting systems should be able to generate accounting data that conforms with commercial accounting standards in line with generally accepted international accounting standards as well as government fiscal accounting requirements.
- (v) Develop sets of accounting manuals applicable for each phase of migration that spell out the processes and procedures of recording transactions to ensure proper protection of airport assets, no off-balance liability, complete accrual of revenues, and no omission of expenditure. The accounting manuals will provide detailed flowcharts for all types of transactions, forms of documents to be used to record transactions, and forms of accounting books to be maintained.
- (vi) Develop internal audit procedures and standards and prepare audit manuals that spell out processes and procedures to conduct regular financial audit for airport

operations from airport operations. The audit manuals will provide formats of audit report to be prepared as a result of internal audit.

- (vii) Carry out detailed staffing and workload analysis for MOT to adopt and maintain the financial management systems at each phase of migration, identify required personnel positions, and prepare job description for each position.
- (viii) Assess the requirements for computer and communication equipment needed to adopt the financial management system as recommended for each phase of migration and prepare an equipment purchase plan.
- (ix) Develop sets of human resources development plans applicable for each phase taking into account existing and required skills to adopt and maintain the financial management systems.
- (x) Develop and conduct human resources development programs to build capacity of MOT and airport staff to adopt and maintain the financial management systems. The consultants will develop and provide internal training courses where MOT and airport staff will absorb the requirements of accounting and audit manuals.
- (xi) Develop action plans applicable for each phase that spell out necessary actions to be undertaken by MOT and airports to adopt and maintain the financial management systems after the consultants complete their assignments and depart.
- (xii) Act as an advisor to MOT to provide guidance for day-to-day financial management issues and in the course, provide on-the-job-trainings for MOT staff assigned.
- (xiii) Refine the TOR for domestic consultants as necessary and recruit qualified ones.
- (xiv) Carry out additional tasks as requested by ADB staff.

b. Domestic Consultants

6. Two domestic consultants, financial management system analysts, will be engaged for 9 person-months and for 5 person-months respectively to carry out the following tasks:

- (i) Assist the international consultants to collect information and data and translate those information and data into English as required.
- (ii) Assist the international consultants in designing financial management systems by providing financial management system analysis.
- (iii) Assist the international consultants to prepare accounting and audit manuals and training materials, translate them into Dari, and assist the international consultants to conduct the training programs.
- (iv) Liaise with the Government and the international consultants.
- (v) Carry out additional tasks as requested by the international consultants.

C. Reports

7. The air safety regulatory frameworks inclusive of legal frameworks, the financial management systems, human resources development plans, action plans, and all manuals will be completed by the end of fifth month from the inception of the TA. The international consultants will recruit domestic consultants within 1 month from the inception of the TA with all recruitment procedures including TOR to be approved by ADB. The following reports, all in the English language, will be submitted by the consultants to the Government and ADB. The final report will also be submitted in CD ROM.

- (i) **Inception report.** Inception report should be submitted within 1 month of the start of the services. It should outline any changes in the approach, methodology, or work

- plan, as well as cost implications for the consultants' services (contained in the consultants' proposal) that are required to fulfill the terms of reference.
- (ii) **Monthly progress report.** Monthly progress report should be submitted within 2 weeks of the following month. It should show the progress of all initiatives undertaken by the TA and actions taken and guidance provided by the consultants as an advisor for day-to-day air safety oversight and financial management issues.
 - (iii) A draft civil aviation act, draft civil aviation regulations and orders and draft work manuals for airworthiness control, flight operations inspection, personnel licensing, air operator certification, and accident and incident investigation, human resources development plan, accounting and audit manuals, and action plans. These should be submitted within 5 months of the start of the services.
 - (iv) **Report on evaluation of training program.** This report should be submitted within 2 weeks after completion of all training programs and summarizes input, output, and outcomes of all training programs.
 - (v) **Draft final TA evaluation report.** To be submitted by TA completion. This evaluation report lists all activities undertaken under the TA including human resources development and all acts, regulations and orders, manuals, human resources development plans, training programs and materials, and action plans developed under the TA, and evaluate their impact on capacity strengthening of MOT.
 - (vi) **Final TA evaluation report.** To be submitted within 1 month of receipt of comments from the Government and ADB.

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank (ADB) Financing^a			
1. Consultants			
a. Remuneration			
i. International Consultants	551,000	0	551,000
ii. Domestic Consultants	0	68,000	68,000
b. Per Diem for International Consultants	87,000	0	87,000
c. Travel	12,000	10,000	22,000
2. Equipment			
a. Computer Equipment and Software ^b	10,000	0	10,000
b. Vehicle (rental for two vehicles including operating cost)	0	18,000	18,000
3. Human Resources Development	100,000	50,000	150,000
4. Communications, Reports, and Documents ^c	0	5,000	5,000
5. Contingencies	77,000	12,000	89,000
Subtotal (A)	837,000	163,000	1,000,000
B. Government Financing			
1. Counterpart Staff (salary and per diem)	0	12,000	12,000
2. Office Space in Kabul	0	12,000	12,000
3. Office Equipment	0	5,000	5,000
4. Communications ^d	0	6,000	6,000
5. Contingencies	0	5,000	5,000
Subtotal (B)	0	40,000	40,000
Total	837,000	203,000	1,040,000

^a Financed by ADB's technical assistance funding program.

^b Computer equipment includes computers (desktop and laptop) and associated accessories including software

^c Including books and periodicals

^d Including fixed line phones and facsimile machine

Source: ADB estimates.